ABOUT THE CONFERENCE BOARD

The Conference Board is a business information service whose purpose is to assist senior executives and other leaders in arriving at sound decisions. Since its founding in 1916, the Board has been creating close personal networks of leaders who exchange experience and judgment on significant issues in management practice, economics and public policy. The networks are supported by an international program of research and meetings which The Conference Board staff of more than 350 persons carries out from offices in New York, Ottawa and Brussels.

More than 3,600 organizations in over 50 nations participate in The Conference Board's work as Associates. The Board is a not-for-profit corporation and the greatest share of its financial support comes from business concerns, many with worldwide operations. The Board also has many Associates among labor unions, colleges and universities, government agencies, libraries and trade and professional associations.

The Conference Board, Inc.
845 Third Avenue
New York, New York 10022
(212) 759-0900
RCA International Telex
237282 and 234465

The Conference Board, Inc.
Avenue Louise, 207 - Bte 5
B-1050 Brussels, Belgium
(02) 640 62 40
Telex: 63635

The Conference Board, Inc.
1755 Massachusetts Avenue, N.W.
Suite 312
Washington, D.C. 20036
(202) 483-0580

The Conference Board of Canada
25 McArthur Road
Suite 100
Ottawa, Ontario, K1L-6R3
(613) 746-1261

Conference Board Report No. 861

Printed in U.S.A.

© 1985 THE CONFERENCE BOARD, INC.

ISBN NO.: 0-8237-0302-9

Cover by Virgil Koch

R4105-46 F

Managing International Public Affairs

by Seymour Lusterman

A Research Report from The Conference Board

Contents

	Page
HIGHLIGHTS	iv
WHY THIS REPORT	vi
1. PUBLIC POLICY ISSUES AND ARENAS	1
The Home Country	1
International Organizations	3
Activist Groups	3
Foreign Countries	5
Public Affairs Strategies in Host Countries	5
Image-Building Activities	6
Country Activity	6
Less Active Companies	7
2. RESOURCES	9
Organization	9
Group Attributes	10
Accounting for U.S. Differences	10
Size of Staff	11
Locations of Staff	11
Local Managers	12
Use of Nationals	12
The Issue of Cooperation	12
Local Public Affairs Staff	13
Other Internal Resources	13
Outside Resources	13
Business Organizations	13
The United States Council	14
National Trade Associations	14
Private Firms	15
3. FUNCTIONS OF STAFF	16
Assistance to Top Management	16
Monitoring the Business Environment	16
Developing Positions	17
Oversight and Control	19
Staff Review	19
Participation of Top Management	19

Direct Participation by Staff 21
Assistance to the Organization 21
General Services 21
Special Services 22
Planning and Operations 22
Other Special Support 23
Gaining Line Support 23
Coordination 24

4. TRENDS, PROBLEMS AND PROSPECTS 25
Internal Systems 25
Deficiencies 25
Criticisms of Top Management 25
Implications of Decentralization 25
Staffing Needs 28
Planning and Integration of Activities 28
Line Management Performance 28
Outlook for Change 29

APPENDIX
STAFFING: CASE EXAMPLES BY GROUPS 30

Tables

1. MNC Activities in Foreign Countries 7
2. Degrees of Local Autonomy 20
3. Planning, Coordination and Control: Recent and Expected Change 26
4. Planning, Coordination and Control: Current Efforts 27
5. Number of Companies Presently Making "Significant" Planning, Coordination and Control Efforts: by Staffing Group 27

Exhibits

1. Regional Responsibilities at British Petroleum, a Group 2 Multinational ... 2
2. International Public Affairs Job Descriptions: Volvo and Alfa-Laval 17
3. Policy Guidance at Ford 18

Highlights

Concerned over a growing global agenda of public policy issues, multinational corporations are becoming increasingly active in promoting their interests at intergovernmental bodies such as the United Nations, the European Community, and the General Agreement on Tariffs and Trade; in their home countries; and in the foreign countries in which they operate—as well as in fostering conditions hospitable to their business activities. Although still largely reactive and improvisational, such efforts are coming under an increasing measure of central planning, coordination and control in many companies, and are supported by a growing cadre of international public affairs specialists.

International public affairs professionals are employed on the corporate staffs of 29 of the 82 multinationals participating in this study; in more than half of them, the function was created only within the past 10 years. Another six firms have such specialists on the staffs of international divisions. Corporate public affairs personnel whose main responsibilities are for home-country issues devote a portion of their time to foreign or international matters in over half of the remaining 47 companies.

Multinational corporations that employ international public affairs specialists are much more broadly and actively involved with foreign and international policy issues than those that do not, and are distinguishable from the others in a number of ways. They tend, first, to have higher worldwide sales. Their foreign sales volume—though not the percent of total sales made outside the home country—is also higher. They operate in a larger number of countries. Firms employing such specialists include a disproportionate number of petroleum companies, automobile manufacturers, makers of electrical-engineering and electronic products, and makers of health products and of consumer chemicals. International public affairs professionals are also more commonly found in U.S.-based MNC's than those based in other countries—a consequence, some reason, of unique features of the political institutions and history of the United States.

Organizational arrangements vary with basic company structures and with the degree to which staff professionals are expected to play three basic roles: (1) to help top management to manage and participate in the firm's foreign and international public affairs program; (2) to monitor and control, as well as assist, the work of the line organization; (3) to act directly on the outside, representing company interests at international organizations and in the political corridors of host governments. Staff roles may be comprehensive in these terms or, as is often the case, fairly narrow—restricted to only one of the roles or even to a single facet of it.

Sources

This report is based on responses by 82 MNC's to a Conference Board questionnaire, on interviews with public affairs executives at 30 additional multinationals, as well as with 20 survey participants, and on published articles, talks, correspondence and internal company documents.

The Board's questionnaire was mailed to (1) all U.S.-based companies with overseas sales of at least $100 million in 1982, and at least $500 million in total sales; and (2) all MNC's in other countries that are listed in the *World Directory of Multinational Enterprises 1982-83*. About 250 companies are in each of these groups.

Fifty-four of the eighty-two questionnaires were completed by U.S.-based companies. Represented in the other 28 were MNC's headquartered in Japan, Canada, Great Britain, the Netherlands, Denmark, Sweden, West Germany, Switzerland, the Republic of South Africa, and Australia.

Five of the questionnaires were signed by the president or chairman of the participating firm and several by senior line executives. The great majority, however, were completed by corporate staff members, most with titles designating public affairs, government relations, communications, public relations, or similar duties, although respondents were responsible for such functions as planning, finance, administration or human resources.

An unusually large number of letters were received from nonparticipants. Some of the writers explained that their companies' management or programs were in a transitional state. Still others ruled out their participation on the grounds that they had no international public affairs program or that they had no interest in the subject.

The conclusion that participants in the survey are atypically active in international public affairs may not be warranted, however. Even though, as the study found, the largest MNC's are much more likely than smaller ones to have professionally staffed international public affairs programs, MNC's of different sizes were represented in equal proportions among the survey participants.

The international public affairs function includes some identification, monitoring and analysis of issues in almost all cases. Far less often, staff specialists may review and appraise for top management the public policy plans of foreign operations or monitor their public affairs activities. Direct participation in public affairs activities in foreign companies is the least prevalent of corporate staff activities.

Most of the participants report some increase during the past five years in their company's attention to international public affairs; about a quarter describe it as "marked" in at least one respect. Still, very few regard their firm's present efforts as strong, and three in five believe them to be less than adequate.

Placing the blame on shortsightedness or timidity by top management, some see comprehensive failures—of attention and concern, and of staffing, goal setting, planning and the development of internal systems. Many believe, too, that their companies have not yet come to grips with various issues deriving from decentralization. They say that there is poor coordination of country and divisional activities, an absence of mechanisms for establishing the primacy of corporate interests in the face of divergent divisional ones, a failure to provide country operations with policy guidance or positions on public issues, and insufficient attention—through hiring and promotion policies or developmental activities—given to ensuring that local managers are competent to recognize and perform the public affairs aspects of their responsibilities.

Why This Report

The growth of multinational enterprise during recent decades has coincided with profound changes in the international business environment and with moves in most non-communist countries to restrain and control business activities. As they have increased in size and numbers, MNC's have acquired an ever-growing stake in public policy issues.

This study looks at the staffing and organizational measures that a number of MNC's have adopted to serve their public policy interests. It is designed to inform those who wish to develop or to improve their companies' programs for dealing with foreign and international public affairs.

The Conference Board is grateful to the many business executives in the United States, Europe, Canada, Japan, Australia and South Africa, who have shared with us their views and provided information about their companies' programs. We also thank the officials of trade associations and other business and private groups who participated in this study.

JAMES T. MILLS
President

Chapter 1
Public Policy Issues and Arenas

As companies extend their operations beyond home-country borders, their public policy concerns expand on several fronts. First, they acquire interests at home beyond the purely domestic ones that were once their sole concern—notably in issues related to foreign trade and investment. Second, the policies and actions of such intergovernmental bodies and agencies as the United Nations, the European Community, and the General Agreement on Tariffs and Trade, take on new importance. Finally, each country that these firms enter presents its own agenda of public policy issues...in a political environment that is new and unfamiliar to the company.

These are highly interconnected jurisdictions: Actions in one stimulate actions and reactions in others. A consultant offers this perspective to top executives of multinational firms: "Like it or not, we do live in a single world, with instant communications and increasingly rapid transfer of issues across national boundaries and continents. Working with one company, my colleagues and I watched a piece of environmental legislation start in California, go through Washington, then OECD, then the EEC Commission in Brussels and into national debate in several European countries in a matter of months, and now it could well go the other way. Social legislation in Britain is as influenced by what is happening in Sweden, in Holland and Germany, as by local pressure groups. And it would be a brave person who, today, would deny that developments in industrial democracy in Europe will not have an increasing influence on management-labor thinking in North America in the next two to five years."[1]

Companies pursue their interests in these political arenas in much the same ways in which they deal with purely domestic concerns at home. They cultivate relationships that will enhance their chances of learning about problems before they become acute, of reaching negotiated solutions, and of gaining their ends when compromise fails. They lobby and present information to policymakers, influential individuals, and the public at large. They try to equate their interests with the public good. They seek to influence the makeup of governments by supporting political parties and helping candidates of their choice attain public office.

But global public affairs activities are much harder than domestic ones to bring under coordinated management, and only a minority of the multinationals participating in this study seem to be making the effort. Most, however, do appear to have fashioned at least rudimentary arrangements by which to monitor developments in various parts of the world, analyze their significance for the company, and plan and implement responsive actions. A few have created highly developed systems that may involve top executives, board members, staff lawyers, marketers and other corporate specialists, and usually involve relationships with outside consultants and business organizations. Increasingly, they include international public affairs professionals, as well. (See Exhibit 1.) Slightly over two-fifths (or 35) of the 82 firms participating in this study employ personnel who devote all or most of their time to international public affairs. In nearly two-thirds (or 63) of the surveyed firms, this function is at least a part-time responsibility of a public affairs staff member.

The Home Country

If a company pursues public policy goals in any of the arenas of international public affairs, one of them is almost certain to be the home country. Among the sixty-three firms that have corporate public affairs personnel who devote time to international and foreign affairs, all but two report that these professionals worked during the past year on home-country issues affecting their firm's foreign business. Often the home country is the only arena of corporate-managed activity—a form of "parochialism," in one participant's term, that appears to be especially prevalent among U.S.-based multinationals.

[1] Jan Dauman, Chief Executive, Intermatrix Group, in a paper presented to a Public Affairs Council Workshop, New York, September 25, 1979.

Exhibit 1: Regional Responsibilities at British Petroleum, a Group 2 Multinational[1]

In a summary prepared for this study a BP executive describes the company's international external affairs organization as follows:

"The Government and Public Affairs Department (GPA) has responsibility for handling relations between the Company and the outside world. GPA houses the BP Press Office and speechwriters, and is responsible for preparing house journals, booklets and films. The department also manages the Company's educational liaison and community enterprise schemes, and its donations and sponsorships policy.

"The External Affairs section of GPA has three functions. First, to keep the various BP businesses informed about how their commercial decisions may affect, or be affected by, the outside world. Second, to ensure that the outside world is aware of BP's activities and interests. Third, to create the right environment in which businesses can meet their objectives. The section has 14 executive and 5 secretarial staff, and is headed by an Assistant General Manager. It is organized into four divisions, covering the UK (plus black Africa), Western Europe, the Americas and the Rest of the World.

UK and Africa

"This division maintains regular contact with government ministers and civil servants, especially with the Departments of Energy, Trade and Industry, and the Treasury. Meetings are also held with members of both Houses of Parliament (from all political parties), with representatives of local government and of various pressure groups. The division devises and organizes the Visiting Speakers Programme, whereby guests from outside the Company address an audience of Senior BP Managers. It also compiles, month by month, the External Affairs Programme, which lists and coordinates the contacts between BP Directors and Managers and outside parties. One member of the UK division is in charge of BP's corporate advertising within the UK.

"The division also monitors events in black Africa, and keeps in close touch with the BP business operations there.

Western Europe

"The European division manages BP's contacts with the institutions of the EEC. It coordinates and represents BP's views to the European Commission and members of the Assembly on such matters as lead in petrol and acid rain, as well as supply and pricing issues. Attention is paid to EEC competition policy, and to the EEC's relations with other countries, notably Spain, Portugal and the Lome Convention states.

"A watch is also kept up on national political developments in Europe, and close links maintained with BP's European Associate Companies.

Western Hemisphere

"This division monitors political and commercial developments in the Americas, and briefs BP management as to their significance. Very close contact is kept with the Company's offices in New York and Washington, which maintain a range of contacts within the U.S. Administration and Congress. Responsibility for the Soviet bloc rests with this division, and a particular eye is kept on questions of East-West trade and security export controls.

Rest of the World

"This division covers the Far East, Australasia, the Middle East and South Africa. Subjects of recent importance to BP have included the debate over uranium mining in Australia, the future of Hong Kong, and the course of the Gulf War. The division also has responsibility for BP's association with various international bodies such as the International Energy Agency, the International Chamber of Commerce and the UN Law of the Sea Conference. It also provides back-up support for the business stream activities in Oil, Gas, Coal, Minerals, Shipping and Ventures."

[1]See pages 9 and 10 for definition of groups.

Home-country activities have a variety of objectives. One is the traditional government-relations aim of influencing legislation and governmental policy. A Xerox executive, however, referring to "domestic content legislation for the auto industry, trade relations between the U.S. and Canada, and the Export Administration Act," says that "the forces driving our interest on issues such as these are international." At least one U.S. company, according to one of its executives, "reviews in its annual business plan all of the major legislative items on the Congressional agenda affecting our international business, and spells out our goals with respect to each."

The government-relations concerns of most MNC's also include the manner in which home-country officials act to advance the trade and foreign interests of national firms. Some U.S. executives, for example, are highly critical of certain actions of their own government, which they say have constrained their overseas trade and investment op-

portunities and diminished their ability to compete. "The biggest source of political risk for most companies is the U.S. government," says one of them flatly. Examples cited are the prohibitions and the restrictions associated with the Soviet gas pipeline, trade with Arab countries, "corrupt" practices, and administrative proceedings that delay the processing of overseas orders.

A second aim of multinational firms in their home countries is to influence the positions taken by their governments in international bodies. In the United States, for example, business committees advised State Department officials during the Tokyo Round of trade negotiations from 1973 to 1979, providing technical information on the implications of proposals under consideration and suggesting alternatives.

Third, more and more companies are looking to their own governments for help in dealing with foreign governments—help ranging from facilitating entry into foreign countries, to acts of representation. One European executive describes his government as a "source of opportunity and practical help in today's increasingly competitive international market." There are many trade and business organizations through which one can work, a U.S. auto executive notes, adding: "But you also have to develop your own contacts in the government—especially in the State Department, Commerce Department, and the Office of U.S. Trade Relations." The home government may also serve as a valuable source of information and advice. "Experience has shown again and again that friendly advice from the government can be vital at critical times," a British executive comments. A U.S. executive says: "The State Department's country desk officer is the best source of data for political-risk analysis. These people are eager to play a constructive role."

Fourth, useful contacts with officials of foreign governments—notably, but not limited to, ambassadors and embassy staffs—may be made in the home country. A U.S. executive says: "The key question is where the leverage points are. If we think the ambassador is someone who will understand our point of view, we try to go in at that level, and consider the best way of making contact. An ambassador may intercede on our behalf, forward a proposal, or help us to arrange to meet with the proper ministers. Washington consultants can be very helpful. We have a few on retainer."

A beverage company has set as a major goal "to reinforce in a marked way" its contacts with the foreign diplomatic corps. An official of this firm observes that "socialist and developing countries are picking ambassadors with business understanding and experience: The ambassadorial role now places greater emphasis on economic issues than in the past."

Several of these aims may mesh in a single project. This was illustrated by one participant, prior to President Reagan's trip to China, with a hypothetical company plan to market nuclear energy in that country. "The Washington office would have a number of tasks," this executive says: "One, raise interest in official circles about pursuing nuclear trade with China; two, work to prevent additional restrictions on such activities; three, ensure that the necessary arrangements between the United States and China are made; four, ensure the necessary Congressional approval. All of this would involve relations with the State Department, the Commerce Department, Congressional staff, and others. A similar set of tasks would arise in connection with an oil or gas marketing plan."

While only two-thirds of the participants report that their home countries' public affairs personnel engage in active lobbying on international issues, all but a few say that the responsibilities of such specialists include conveying company views and positions to policymakers and other officials. Almost all say, too, that they are actively involved with trade associations in pursuing their public policy aims at home.

International Organizations

Public policy issues affecting the interests of multinational firms arise at the various intergovernmental organizations, including the United Nations and its affiliated agencies, the European Community, the Council of Europe, the Organization for Economic Cooperation and Development (OECD), the General Agreement on Tariffs and Trade (GATT), the Andean Community, and the Sistema Economica Latino Americano. Whatever their opinions as to the underlying aims and achievements of these bodies—or the legitimacy of their concerns about corporate governance—MNC executives question many of the ways in which these groups have exercised their explicit powers to regulate business activity and their derived ability to influence the actions of individual nations. (See boxes, page 4.)

The United Nations and the European groups appear to be of principal interest to most MNC's.

- Thirty-five of the MNC's taking part in this study report that members of their public affairs staffs were active during the past year or so at the European Community, the Council of Europe, or the OECD.
- Twenty-nine companies report that public affairs personnel are active at the United Nations and its agencies.

Activist Groups

Issues tend to migrate rapidly from country to country, transmitted by print and electronic media and by networks of activists. International organizations and coalitions like the Health Action International, the Pesticide Action Network, and the International Organization of Consumers Unions, undertake coordinated efforts relative to their special causes in many countries. The World Council of

European Bodies

European Community

The European Community, headquartered in Brussels, is unique among international organizations in the scope of its law-making powers. One of its bodies, the Commission, drafts policy proposals. Another, the European Parliament, comments on them. The power of final approval is vested in a Council of Ministers, on which each member country is represented. Policies adopted by the European Community take several forms. "Regulations" are binding on all member states; "decisions" are binding on particular parties addressed by them. "Directives" specify both results to be obtained and minimal means of pursuing them, but leave legislative details to each member state. "Recommendations" and "opinions" are just what the terms imply.

The European Community (EC) has adopted a number of directives designed to regulate intra-Community business activity; other directives have been formally proposed by the Commission or are being considered by it. These range from rules governing mergers to parent-subsidiary relationships. A host of other proposals are currently in the EC decision-making machinery. These include directives and regulations pertaining to labor relations, consumer protection, environmental protection, competitive policy, taxation and transborder-data flow.

Standing far above other issues in the concern it has aroused among MNC's is the Directive on Information and Consultation of Workers—better known as the Vredeling proposal (after its author, Henk Vredeling, a former Commissioner responsible for employment and social affairs). This directive, which would apply to MNC's with 1,000 or more employees within the Common Market, would require that their workers be informed annually about company operations and plans and that they be consulted in advance of decisions affecting employment and production. Many corporate managers believe it would have serious adverse effects on the flexibility and efficiency of their operations.

But EC directives may affect particular companies as well. A food company executive cites this "costly" example: "The Coffee Directive stipulates the amount of coffee that can be extracted from a kilo of coffee beans. We have the technical capacity to achieve a higher yield than the regulation provides for. There would be no prohibition against importing coffee made with our method into EC countries, and that is what we may ultimately decide to do."

The Council of Europe

The basic concerns that public policymakers have about MNC's tend to find some expression wherever they have the authority to act. MNC issues are high on the agenda of the Council of Europe, for example, as matters for study and policy recommendation. Adopted and ratified in 1983 by five member nations, all of which have modified their own laws accordingly, was a "convention for the protection of individuals with regard to the automatic processing of personal data." This convention has also stirred legislative consideration of privacy and related data-flow issues in a number of countries. These are issues in which MNC's see important interests at stake.

The United Nations and its Specialized Agencies

The basic purpose of specialized UN agencies bear inescapably on MNC interests and concerns. For example:

- The United Nations Conference on Trade and Development (UNCTAD) promotes trade between industrialized and developing countries. UNCTAD was responsible for the development and adoption in 1981 of a "Set of Multilateral Agreed Principles and Rules for the Control of Restrictive Business Practices," and, since 1975, it has been trying to negotiate a "Code on the Transfer of Technology."
- The World Intellectual Property Organization (WIPO) helps to protect industrial property and copyright materials around the world. WIPO is currently conducting efforts to revise the Paris Convention on Industrial Property, an 1883 agreement that set international rules for patent, trademark and design protection.
- The World Health Organization (WHO) plans and coordinates health efforts internationally. It was the WHO that developed the widely publicized infant formula code (the "International Code of Marketing of Breastmilk Substitutes"), adopted by the World Health Assembly in 1981. WHO is known to be considering codes on other products. This agency has also published a list of pharmaceuticals, pesticides, industrial chemicals, and other consumer chemicals items that have been judged harmful to the health or to the environment by member governments.

Other issues affecting MNC's arise out of the work of such agencies as the United Nations Environment Program, the United Nations Industrial Property Organization, and the International Labor Organization, and of a number of committees and ad hoc groups.

MNC's are the exclusive concern of two UN entities. In 1974 the Economic and Social Council created both a Commission on Transnational Corporations and a UN Center on Transnational Corporations devoted to information gathering and research on MNC's, and to providing technical assistance to developing countries in dealing with them. Many industry people feel that the very concept of a UN Center on TNC's—and the terms in which its purposes are described—reflects a bias against multinationals. "Why focus on TNC's, when they are one element in the economic development picture?" one executive asks. "Why not consider the effects of corruption, the use of resources for military purposes, the setting up of airlines, and so on—and try to put MNC's in a realistic and broader perspective?"

A major early effort of the Commission was the development of a Code of Conduct for Transnational Corporations. Agreement has been reached in the ensuing years on many provisions, but differences continue to divide leading industrial nations from others on basic issues. Still unresolved, for example, are such questions as whether state-owned enterprises shall be included among transnationals; whether the Code shall be legally binding; whether national authorities alone shall determine questions of compensation in cases of nationalization; and whether disputes involving subsidiaries shall be under the exclusive jurisdiction of the host country.

MNC operations in South Africa have been the subject of lobbying efforts at several UN bodies. One of the unresolved issues in the Code of Conduct for Transnational Corporations, for example, is a proposed requirement that MNC's gradually divest themselves of subsidiaries and investments in that country. It is by no means the only international forum in which this issue has arisen. The Center on Transnational Corporations has held hearings on corporate conduct and practices in South Africa.

Churches supports these groups but has more comprehensive aims than any one of them, collaborating with labor and other organizations on issues such as worker consultation and participation, women's rights, and the wages of migrant workers.

An increasing number of these groups have official status at the United Nation as Non-Governmental Organizations. MNC executives credit them with playing a major role in the introduction into various UN agencies of potentially damaging and hostile proposals. While the UN agencies lack law-making power, they have significant uses for proponents of change. At a minimum, they are forums through which ideas about public policy may quickly gain worldwide attention and be entered onto the law-making agendas of nations. And insofar as such ideas ultimately become embodied in UN agency codes or recommendations, the tasks of advocacy in individual countries are eased. One executive says: "It is easy for national governments that ask for UN advice on, say, technological transfer, to see the code as a model law." Another voices common sentiments when he says: "There are two problems about the UN agencies. First, they contribute to antibusiness attitudes and ideas among the public. Second, they will have long-term adverse effects as they encourage member nations to take legislative action."

Some MNC's engage in planned and organized efforts to work with those international activist groups they deem to be open to new information and points of view, and to discredit and oppose those viewed as ideologically hostile and inflexible. A pharmaceutical executive says: "Our analysis is that there are hostile groups whose minds won't be changed, others who disagree with them, and a large uninformed middle group. Our efforts are targeted at the last of these." Most MNC's do make some effort to keep informed about UN developments that may affect them—often despite avowals by some of their executives that the United Nations is ineffective, moribund, creates little more than noise, and gets more attention from business than it deserves.

Foreign Countries

As governments try to mold the character and terms of foreign investment to national economic development and balance-of-payment goals, a multinational corporation's first contact with representatives of a foreign country may be over the terms of entry into a country. First, a measure of local participation in the proposed venture—sometimes, a majority share—may be required, with the government or private investors as partners. Second, certain operational conditions may be stipulated—for example, the employment of nationals in managerial or other key roles; the institution of education, training or technology transfer programs; or the purchase of certain goods or services locally. Finally, entry may require a commitment by the foreign investor to reinvest a portion of the venture's earnings in the host country.

The same economic goals that shape the conditions under which an MNC enterprise is permitted to enter a country may also foster change in the conditions under which it continues to operate. (See box, page 6.) Restrictions and conditions specific to foreign firms are more common in less-developed than developed countries, and tend to be more demanding. Members of OECD, in fact, have formally agreed to extend "national treatment" to existing foreign investors.[2] (They have, however, provided themselves with a "national security and defense" loophole.) Current economic weaknesses in many less-developed countries are said to be making things easier for MNC's, at least temporarily.

The developed countries tend to present business with a range of what one MNC executive calls "more sophisticated issues." These apply to indigenous firms as well as to foreign-owned companies. For one thing, the legislative agendas of advocates of consumer and environmental protection, of women's and minority rights, and of workplace safety, are not everywhere completed—and some conflict continues to surround the regulations and compliance criteria that are being promulgated for enacted laws. For another, a new group of issues—including such matters as the right of employees to be informed about or to share in the formulation of company plans, and the right of privacy—has moved to the forefront in many countries.

One executive sees a trend toward some convergence in the posture of developed and less-developed countries toward MNC's: "The developing countries are different in their new nationalism and in their concern with housing, public health, living wages, and food production, as well as with industrial and economic development. But in the current economic climate, all nations are concerned with their basic economies—and with the special question of unemployment. They are all trying to take the sources of wealth in their hands through import and export taxes, income taxes, value-added taxes, limitations on the remittance of ratables and dividends, and other measures. Even in the industrial countries, issues like consumerism and industrial democracy are taking second place to financial issues."

Public Affairs Strategies in Host Countries

MNC's may pay greater or lesser heed to the national interests and aspirations of host countries, but their own concerns tend to center either on administrative matters determined at lower and middle levels of government

[2] A 1976 OECD Declaration on International Investment and Multinational Enterprise declares that countries shall "accord to enterprise operating in their territories and owned or controlled directly or indirectly by members of another Member Country...treatment consistent with international law and no less favorable than that accorded in like situation to domestic enterprises."

Local Demands on MNC's

MNC's participating in a recent Conference Board study named nine demands by host governments as having significant impact on their operations or being especially prevalent.

"Three of these conditions relate to financial operations:

(1) a requirement of local financial participation in company ownership,
(2) a limit on research fees for work performed for local subsidiaries by the company's central laboratories, and
(3) a limit on repatriation of assets and earnings.

"Four entailed interference in company business decisions:
(1) a requirement that component parts or raw materials be purchased locally,
(2) a limit on levels of local production,
(3) a limit on the company's share of the local markets, and
(4) an insistence that the company produce or sell certain products as a condition of entry into the local market.

"One demand involved a personnel issue: the appointment of local nationals to top management positions. "The requirement that the company build a local research or development facility was seen as being relevant to three managerial concerns: finance, business and personnel."

Source: Ronald E. Berenbeim, *Operating Foreign Subsidiaries: How Independent Can They Be?* The Conference Board, Report No. 836, 1983.

bureaucracies or on the larger issues of public policy. Most participants see benefits from what a PepsiCo executive, referring to company concerns in Mexico, terms "sensitivity to the problems of the country as well as to the interests of the company." A Xerox official develops the theme in discussing the qualities required in a country manager: "There must be an understanding of the country's direction and of its economic, business and industrial policy objectives. There must be an understanding of who makes public policy decisions and why—of what is behind the decisions. There must be intelligence and the ability to develop long-term relationships of confidence with public officials. Most government people cannot be fooled about your sincerity. Local managers must earn their trust, even to the point that they are consulted privately about the wisdom of proposed laws and regulations and about their consequences."

Another strategic issue for MNC's in foreign countries is how assertively and in what manner to pursue their public policy interests. Corporate decision-makers may adopt any of three courses of action as they appraise social and political conditions in the various countries in which they operate, consider problems and opportunities these present for the company over longer and shorter periods of time, estimate the potential for effective company involvement in the public policy process, and weigh costs and benefits. They may choose to leave advocacy to others—to trade associations, competitors, indigenous firms, even, at times, nonbusiness groups with similar interests; they may decide to work with these others (particularly trade associations and business groups), attempting to influence their positions, their methods, and their overall effectiveness; or they may elect to act independently. Individual MNC's may adopt each of these approaches in different parts of the world. They are likely, also, to react differently in the same areas to particular issues.

Image-Building Activities

Whatever their underlying approach, companies often attempt to promote local good will and understanding. Because of the sometimes tenuous status and the high visibility of their operations in foreign countries, MNC executives may consider public relations programs and other efforts to influence popular attitudes and opinions overseas to be more important than they are in the home country. "No company can go into a country and expect to resolve government affairs issues without having done some image-building spadework first," an Avon executive says. Public relations activities, in fact, are sometimes the core or sole element of an MNC's international affairs program.

Efforts to gain public acceptance as good corporate citizens may be based on specific programs and actions as well as on informational and image-building activities—notably through voluntary programs in support of the social and economic aims of the host country or of important interests within it. These include programs of technology transfer, employee education and training, infrastructure development, and contributions to community health, education and cultural resources.[1]

A pharmaceutical company, for example, conducts health-education programs in host countries through ads in print, electronic media, and films. National interests are also "visibly supported," a U.S. insurance company executive suggests, by ethical business behavior. "Most of our agency heads understand that as managers of U.S. companies operating in political—and often politically charged—environments, they cannot afford to be accused of misleading the public, of not honoring commitments, or of not offering service at a good price." Several executives note that reminding "the government hierarchy" and other influential nationals of the "positive contribution" of the MNC operation is a vital ingredient of public relations and image-building activities.

Country Activity

The time devoted by corporate staff to a particular country is related to its importance to the firm's earnings and growth, the persistence and severity of the issues it presents, the opportunities it offers for effective public policy

[1]See E. Patrick McGuire, *Corporate Aid Programs in Twelve Less-Developed Countries*. The Conference Board, Report No. 834, 1983.

advocacy, and the amount of support available to the firm from business allies in the country. A high proportion of the MNC's that have operations in South Africa, the United States, Nigeria and Saudi Arabia, for example, say that these countries take significant staff time, while fewer than half report this about Australia and Spain.

The countries in which the largest number of U.S.-based participants are active are Canada and Great Britain. Mexico and Brazil are not far behind in the claim they make on corporate public affairs staff time, followed by such developed nations as Germany, France, Japan and Australia (Table 1).

Less Active Companies

While many of the multinational firms participating in this study have made foreign and international public affairs a principal responsibility of one or more staff professionals, a larger number have not. Some, it is true, are involved with particular issues through outside activities of their top executives who draw staff support from lawyers, engineers, marketers or others—and such staff specialists may themselves participate in trade associations or organizational activities that have bearing on international issues. For example, an executive of Mitsui says: "Though public affairs is not centralized, a whole range of executives are interacting with public officials. Top executives, in fact, have more of a public affairs function than an internal one. The chairman spends most of his time interacting on the public affairs level (both in Japan and the rest of the world), meeting with high government officials, ambassadors, and heads of countries. He is also active in business organizations in Japan. Senior executives draw support from staff departments as needed for speech writing, developing information, preparing testimony, and so on. Other large firms in Japan operate the same way."

Even in such firms, however, there may be little or no effort to bring a corporate perspective to public affairs activities in different parts of the world or to provide central oversight, support and coordination to local activities.

Table 1: MNC Activities in Foreign Countries

	U.S.-based Firms		*Non-U.S.-based Firms*		
	Have Operations in Country	*Country Occupies Most Time of Public Affairs Staff*	*Have Operations in Country*	*Country Occupies Most Time of Public Affairs Staff*	*Base*[1]
	(Number of Companies)				
North and South America					
United States	—	—	24	16	28
Canada	46	23	14	6	77
Mexico	37	20	10	5	82
Brazil	36	21	13	6	82
Argentina	18	10	9	4	82
Other	25	11	9	3	82
Europe					
Great Britain	43	28	16	9	79
France	36	17	13	8	82
Netherlands	28	12	9	7	79
Germany	37	18	13	8	79
Spain	28	13	10	4	82
Other	31	12	13	4	82
Other					
Japan	30	17	10	4	78
South Africa	23	16	9	7	81
Saudi Arabia	8	6	4	3	82
Nigeria	8	5	6	4	82
Indonesia	14	9	10	3	82
Australia	38	18	13	6	81
Other	26	10	14	3	82

[1]All participating MNC's except those headquartered in the country listed.

Many companies employ staff to manage home-country policy issues, but not issues affecting the firm's foreign business.

This condition can be explained in part by the fact that the foreign portion of the business of most MNC's is smaller—often much smaller—than the home country's portion. It represents less than half the total sales of nearly four-fifths of the firms taking part in this study and less than a third of the sales of half of the participants. Thus, the incentive for serious effort in international arenas is weak at many of these companies.

Whatever the total volume of its overseas sales, MNC's operations may be fragmented—divided among a number of countries. As a result, public affairs activity in any one country may appear to corporate management to be either futile or unnecessary. One participant says: "In each of our foreign markets there is usually a much bigger and more prominent competitor with greater equity and political power. We can generally rely on such a company to take the necessary action to protect us, even though it is done unwittingly." Others stress their reliance on trade associations.

Corporate decision-makers differ, too, in their ideas and assumptions about the proper role of business in society, and in how they appraise their companies' stakes in larger and smaller issues. Proposals viewed by some as threatening are accepted by others as reasonable exercises of national sovereignty or not worth the costs of active opposition.

Participating executives offer other explanations, however, for what some see as insufficient attention to international public affairs—often in terms critical of corporate policymakers. They suggest, for one thing, that top executives in their companies feel a lack of confidence in their ability to make prudent and informed judgments about public policy issues in foreign countries, or about the actions and programs of their local managers. One public affairs executive says: "To begin with, they do not know the language. Most of them also realize that they do not know much about the political institutions of the foreign countries in which they operate."

Management is said to be concerned, similarly, about the ability of headquarters staff members, far from the scene, to understand events as well as those present. This concern seems often validated by widely recounted instances of corporate efforts in foreign and international arenas that have backfired. Initial attempts by U.S.-based MNC's to amend or defeat the Vredeling proposal at the European Community is a notable example of what is now regarded as a counterproductive effort.

Finally, a number of participants believe that managers of foreign operations, fighting, in the words of one, "to keep the corporation off their turf," have all too successfully argued the case for "hands off at the top." They suggest that senior management has come to believe that specially staffed programs of oversight and control would create more organizational stress and discontent than they would be worth.

"And management may be justifiably satisfied with the efficacy of existing arrangements," a U.S. food company executive says. "The fact is that two or three senior people—at corporate headquarters or in foreign subsidiaries—will settle most issues simply by phoning a contact."

Chapter 2
Resources

INTERNATIONAL PUBLIC AFFAIRS has emerged only recently as a full-time staff function in many of the 35 firms reporting its presence. In seven of them it came into being during the 1980's; in fifteen it has existed only since 1974. The others first employed international public affairs specialists on their corporate staffs at earlier dates—one or two at least as far back as 1946.

A decision by top management to add professionals to the corporate staff has commonly been preceded by an accumulation of conditioning experience, but triggered by a particular event. Well-publicized, angry local reactions to the closing of a subsidiary in the United Kingdom was such a catalyst for one U.S. firm, "showing a lot of people that even a small operation can have important impacts," one of its executives says. A pharmaceutical company was stirred to action when widely publicized charges began to emanate from one of its foreign markets that a drug it had been marketing for years was the cause of a new disease.

In other cases, acquisitions, reorganizations and other internal changes have stimulated new appraisals of international public affairs needs or have brought to the fore executives able to press successfully for more systematic efforts. At one company, for example, the impending retirement of a senior line executive who had been dealing personally with high-ranking officials of foreign governments, coupled with management's recognition that the tariff, price control, and taxation issues that had often been the subject of his negotiations were not diminishing, led the firm to institutionalize its internal public affairs function.

Organization

Despite some commonalities, the particular organizational arrangements by which multinational firms employ international public affairs personnel are almost as numerous as the companies. (See the examples in the Appendix.) In even the simplest case, a one-product company whose foreign business is managed by an international division, numerous organizational possibilities exist. For example:

- Basic staff responsibility for international public affairs may rest either in a corporate department or in a unit of the international division. It may also be divided in some way between them.
- If there are regional public affairs specialists, they may report to regional line management or to the higher-level staff executives of the international division or corporate headquarters.
- Company interests at the European Community, agencies of the United Nations, or other international bodies may be represented by public affairs staff personnel of country subsidiaries divisional units, by line managers, or by staff personnel in functions other than public affairs.
- Home-country government relations responsibilities bearing on international affairs may be tied organizationally to other foreign-relations activities or separated from them: The latter is often the case where an international division manages foreign public affairs, but may be even where a corporate-level public affairs department is responsible for them.
- Public affairs functions at any organizational level may be divided among two or more units—government relations, public affairs, and public relations, for example—each with a different reporting relationship.

In multinational companies that are divisionalized along product lines, regionally, or both ways, still more variations arise. Public affairs responsibilities are shared at Monsanto, for example, by staff professionals in a corporate department, several operating companies and an international company that performs certain support functions both inside and outside the United States. (See the Appendix.)

These manifold variations derive in part from differences in basic organizational structures, product lines, geographic patterns, and other characteristics of the individual firms. But they are also clues to the scope of international public affairs programs and to how much effort companies are making to achieve corporate oversight, coordination and control. Such elements are reflected in the following grouping of the 82 firms participating in the Board's study:

Group 1. MNC's in this group have international public affairs specialists on the corporate staff. Such professionals

are also present in an international division or, more commonly, in a product or regional division. Group 1 comprises 13 companies.

Group 2. Like firms in Group 1, all of these employ personnel at the corporate level whose principal duties are in foreign or international public affairs. Unlike Group 1, such specialists are not also present in any major divisions. Group 2 comprises 16 companies.

Group 3. These MNC's do not have corporate-level specialists in international public affairs. They do, however, have staff members with international public ffairs responsibilities at a lower-than-corporate level of the organization. Companies in this group have public affairs personnel on their corporate staff who devote some time to foreign or international matters, though most time is spent on home-country affairs. Group 3 is made up of six companies.

Group 4. These companies, like those in Group 3, employ public affairs specialists on the corporate staff who spend some of their time on foreign and international affairs. However, they lack any specialists in the function in their divisions, as well as in the corporate organization. Group 4 consists of 25 companies.

Group 5. These firms have no public affairs staff. However, staff specialists in other functional areas (legal, marketing, administrative, and so on) may at times assume tasks related to international public affairs. Twenty-two companies make up this last group.

Group Attributes

As will be shown later, these five levels of MNC staffing correlate markedly with levels of corporate activity in international public affairs. Companies in Groups 1 and 2—with little difference between them—report the widest range and greatest depth of effort in public affairs matters; those in Group 5, for the most part, make hardly any effort. Group 3 companies behave much like Group 1 and 2 companies in some respects, but not in others.

The five groups are made up of different kinds of companies. They differ first by *size*. As shown below, Group 1 companies are by far the largest in terms of sales, while Group 5 companies are the smallest, with the other three groups arrayed between them.

	Total Sales (in billions)			
Companies in:	*Under $3*	*$3 to $9.9*	*$10 and Over*	*Total Companies*
Group 1	—	3	10	13
Group 2	5	4	7	16
Group 3	2	1	3	6
Group 4	17	5	3	25
Group 5	14	7	1	22
Total Companies	36	20	24	82

Companies making up the various groups also differ in the *scope of their international business.* MNC's with staff specialists in foreign and international public affairs (that is, in Groups 1, 2 and 3) do a much greater volume of business overseas than the others.[1]

	Foreign Sales (in billions)			
Companies in:	*Under $2*	*$2 to $3.9*	*$4 and Over*	*Total Companies*
Group 1	1	2	10	13
Group 2	4	1	11	16
Group 3	1	1	4	6
Group 4	10	10	5	25
Group 5	15	6	1	22
Total Companies	31	20	31	82

Group 1 and 2 firms also tend to be present in more countries.

	Number of Countries in Which Companies Have Significant Operations		
Companies in:	*12 or Less*	*13 or More*	*Total Companies*
Group 1	3	10	13
Group 2	3	13	16
Group 3	1	5	6
Group 4	14	11	25
Group 5	17	5	22
Total Companies	38	44	82

The five groups differ in their *composition by industry type.* For example, all of six MNC's making electrical-engineering and electronics products are in Groups 1 and 2, as are four out of six petroleum companies, four of six motor vehicle manufacturers, and three of five firms in the health products and consumer chemicals fields. Conspicuously underrepresented in Groups 1 and 2 are food companies and chemical firms, each with two out of eight falling into these groups, and makers of industrial and agricultural equipment, represented by one out of fifteen firms.

Finally, the study found *differences between U.S. MNC's and those based in other countries.* Despite the fact that most of them do the major part of their business domestically, U.S. participants are somewhat more likely than the others to employ international public affairs staff. Specifically, U.S. multinationals account for four-fifths of the firms in Groups 1, 2 and 3; for two-thirds of those in Group 4; and for only half of the Group 5 companies. U.S. firms, moreover, are more likely than others to employ public affairs specialists at foreign subsidiaries.

Accounting for U.S. Differences

Survey participants believe that the higher prevalence of organized efforts among U.S. firms is accounted for by

[1]These five groups do not differ, however, on the basis of the *percent* of their total sales in foreign countries.

distinctive aspects of the U.S. social structure and political system. They observe that:

- As a consequence of its much greater size, demographic diversity, and social mobility, senior business and government people in the United States are less closely tied to each other by class, family, schooling and culture than their counterparts elsewhere in the noncommunist world.
- Political power and government decision-making has long been more dispersed in the United States than elsewhere—a difference that may be growing with the weakening of party discipline in federal and state legislatures.
- The U.S. political system offers more opportunity than others for constituents to bring information and points of view to the attention of legislators and regulators at various stages of the decision-making processes.
- The system of organized lobbying and "pressure politics," a tradition in the United States, is absent in many countries and often viewed as somewhat improper. A public affairs director says: "Constituent relations are easier in Great Britain than the United States, in the sense that the country is smaller, but more difficult in that the historic mores have been against it." Another executive states: "Politicians in Europe cannot appear to be yielding to pressures. One can be reasonably effective if it is understood that the bureaucracy is what endures and that the nature of lobbying is giving information."
- The large legislative staffs that have evolved in the U.S. Congress and facilitated communications between lawmakers and constituent groups do not exist elsewhere. A U.S. executive comments: "Neither in the European Parliament nor in those of individual countries do members have staffs.

In terms that apply to other countries as well as his own, the Public Affairs Manager of Abitibi-Price, sums up the main factors and their implications: "Unlike the U.S. system, the parliamentary structure of Canada concentrates power in the executive branch and the very senior levels of the bureaucracy—in people who are responsible to the Prime Minister alone. They are a very close coterie—a small group of very important people in government. That, coupled with the scale of Canada—the fact that people at the pinnacle of each institution traditionally have been familiar with each other, have gone to the same schools, and so on, has made it difficult to penetrate this circle." The effect, he concludes, has been "to hinder the integration of public affairs into the management structure."

The special circumstances of the United States, on the other hand, have offered businesses encouragement and reward for organized and professionally staffed public affairs programs. A U.S. executive says: "It is not that our top people do not have personal relations with government people. Many of them do. But there are also staffed public affairs relationships. Each kind is used in its own way." Created to deal with domestic issues, structured and planned public affairs efforts cultivate a disposition for the organization to look further afield as well.

Thus, when U.S. MNC's make their first international public affairs staff assignments, public affairs units dealing with domestic issues are often already in place. New units and personnel are grafted onto existing structures or integrated with them in various ways. Public affairs functions in other countries more often begin with a foreign and international orientation.

Size of Staff

International public affairs units, when present in a company, are likely to be small. In fully half of the multinationals that have them, such units consist of only one person. A few companies do have sizable departments, however—four with more than nine members, and thirteen with at least three. Petroleum and motor vehicle firms account for more than half of these larger units. (See Exhibit 1.) The professional resources applied to foreign and international public affairs at these MNC's are augmented at times by public affairs personnel who specialize in home-country matters, as well as by staff members in such other functional areas as marketing, administration and law.

Locations of Staff

Corporate-level public affairs specialists who have international responsibilities are usually based at the firm's headquarters; in some companies, they are located at other places as well, and in a few, only at other places. BASF, for example, headquartered in Ludwigshafen, West Germany, has a member of the firm's public relations department based in New York. A public affairs executive at General Foods' European division represents that company in Brussels, reporting on a dotted-line basis to corporate headquarters. The public affairs staff of Merck & Co., Inc., includes executives working out of London and Paris as well as at the firm's headquarters in Rahway, N.J. The Board's survey showed the following distribution of locations among participating companies:

- Fifty-seven firms have one or more public affairs specialists with international duties present at corporate headquarters—members of corporate staff in all but one; of international or divisional staff in nineteen.
- Eighteen companies have representatives in Washington. Again, most are members of corporate-level units, but seven are attached to lower levels of the organization. Two of the eighteen are non-U.S. companies.
- Eighteen of the participating MNC's locate public affairs specialists in Brussels. Nine of them have corporate staff members in that city—several with divisional

representation as well. The others are represented only by divisional people. All but two are U.S.-based firms.

- Thirty-five companies have international public affairs specialists in other places. More often than not, these people are on the staffs of intermediate-level units.

Local Managers

Heads of foreign subsidiaries may play three roles within the corporate public affairs system. First, they may be aware of public affairs developments within their operating spheres and plan and conduct appropriate activities—consulting, as necessary, with higher levels of management. Second, where a corporate issues monitoring function exists, local managers are looked to for information. Third, line managers may be assigned special public affairs duties. The president of Reader's Digest's Italian subsidiary, for example, also follows EC and other regional matters in Europe, while a top executive of a Unilever subsidiary in the United States has represented that company at the United Nations.

But local managers do not always have either the appetite or competence for public affairs participation. Unless pay, promotion and other rewards are geared to it, they often give little time to community, government and other external relations. One public affairs director says: "Many of our country managers were already in place when these things became important, and have no talent or taste for public affairs. But the number two people will take up public affairs duties if they believe doing so will help them clinch the succession. Our International division's top management has been promoting the idea that it will. It is stressed at meetings. There have been many bonus checks to country managers for good public affairs performance. And managers who have handled something well are asked to tell at the next managers' meeting how they spotted the problem and what they did about it. This form of recognition is a real ego boost."

Use of Nationals

Most MNC's try to fill top managerial jobs in foreign countries with nationals—a policy that not only imparts a national character to the operation, but also brings into its service individuals with business, social and political contacts and a knowledge of local conditions likely to be useful in the public policy arena. Still, participants note, circumstances arise in which the status, decision-making authority, or special competence of corporate or divisional representatives may also be useful.

When heads of foreign operations are not nationals, their participation in public affairs may be deemed counterproductive. The senior management of a Japanese subsidiary in the United States, for example, is said by a staff assistant to be fearful of public relations mishaps in a sensitive environment, but is also mindful of important company interests in the United States. This MNC maintains an office in Washington to monitor developments. Its personnel do not lobby, a spokesperson says, but they "respond to requests for their opinions" about public policy matters, and cultivate relationships likely to broaden their opportunities to do so. At the same time, the firm's senior operating executives are careful to avoid media attention, leaving public policy matters to their government affairs professionals and to such representatives of company interests as the Japan Trade Center and the Japan Economic Institute. Top executives of the firm's U.S. operation, an official says, "hesitate to be visible because they feel a lack of familiarity with American policies, sense hostility among older American executives, and are often uncertain about their grasp of English."

The Issue of Cooperation

Corporate public affairs executives rarely seem to get the kind of cooperation from local managers that they want, particularly in the routine transmittal of information. This is due only in part, they say, to inertia, forgetfulness or a reluctance by already overburdened people to take on additional chores—chores that may contribute to corporate-level understanding of broad trends and emerging issues but do not always seem to bear on local objectives. A further interpretation is offered by one public affairs executive: "Country managers are reluctant to talk about local problems unless they are badly in need of help. Problems can be interpreted as reflections on their leadership and management skills. They may cause higher management to think about other countries when they are planning new operations." Other participants suggest that the requirement that information reports be sent routinely to a staff unit is sometimes felt by local managers to be "belittling," "a small but real infringement on their authority," and "an opportunity for outsiders to sneak into their tent."

Finally, line managers may be uncooperative out of a poor regard for the competence of corporate public affairs staff members. Some have had disappointing experiences with their companies' professionals in seeking help for specific problems. Others see evidence of poor judgment in their programs—for example, the circulation of what one executive calls "an excessive amount of undigested information to too many people." Still others prejudge new corporate staff units, "condemning them in advance," a participant says, "for being staffed by 'academics,' press-relations 'hacks,' or whatever, who lack the right credentials or background."

A number of participants report that increasing attention is being paid to the selection, as heads of foreign subsidiaries, of individuals with demonstrated public affairs sensitivity and competence—or at least with the potential for acquiring these qualities.

Local Public Affairs Staff

Most foreign subsidiary managers can count on some staff assistance in public affairs. Nearly a quarter of them have full-time specialists on their staffs, and well over half get at least part-time help from personnel who have significant public affairs duties in addition to their primary ones.

Almost all of the managers receiving such assistance, however, are with MNC's in Groups 1, 2 or 3. The 35 companies making up these Groups report a total of 1,172 foreign operations: Staff members with duties solely or primarily in public affairs are present at 35 percent of them; those with part-time duties, at another 51 percent. Thus, 86 percent of all local operating heads in these firms have at least some designated, formally assigned, staff support. By contrast, staff assistance is available to only 12 percent of the 476 local managers of Groups 4 and 5 firms. It is worth emphasizing, however, that a number of multinational firms not at all involved in international public affairs at the corporate level—and hardly so in home-country affairs—have strong national programs in one or more foreign countries.

Other Internal Resources

Operating managers, and the line and staff people who, as additional duties, monitor European Community developments, represent their companies at UN agencies, and perform other special roles, are not the only nonspecialists who contribute to foreign and international public affairs at many MNC's. The Boards of Directors of foreign subsidiaries and parent companies often contain members chosen for experience and contacts in government who serve as sources of information and sometimes of contact with important officials. Similar roles are performed by members of special advisory groups that many firms have created to help them direct international business growth. United Technologies, for example, has a European Advisory Council made up of prominent business figures from each of six countries and headed by Alexander M. Haig, Jr., once UT's President and now a consultant. Committees and task forces are also important features of the international public affairs organizations of many companies. (See box, this page.) Corporate professionals are likely to be members or to play some advisory or support role. Such groups are used to establish company positions on public policy issues, to formulate strategy options, to propose specific responses, to study issues or problems arising in particular countries, and to coordinate activities in various parts of the firm. A beverage firm has interfunctional-issues subcommittees for monitoring and making recommendations on ongoing issues. It also has task forces for more transient issues, and a Corporate Policy Committee responsible for developing action plans based on options identified, and recommendations proposed, by the other groups.

Corporate Committee at General Foods

The function of an International Council on External Affairs at General Foods is "to identify global issues of importance to the company, to decide which are most important and what to do about them, and to recommend policy and programs for the international sector," the head of that firm's international public-affairs says. To help it do so, an "issues matrix" report is prepared for the Council's meetings by the international public affairs department—a document in matrix form that succinctly summarizes issues within various categories (government intervention in the private sector, consumer health and well-being, labor, expectations of General Foods as an MNC), under the names of particular countries and of regional and global organizations.

To assure varied perspectives, the International Council's members are drawn from different parts of the world and represent both line and staff functions. Members include the head of a unit responsible for sales in countries where General Foods has no equity participation; the Director of External Relations for Europe; the Senior Vice President for Administration of the Canadian operation; the corporate head of Scientific Affairs; the International division's Director of Planning and Development; and the corporate executive responsible for international public affairs.

Outside Resources

Multinational firms have been able to bring their special viewpoints and knowledge to the councils of national and international bodies through a variety of business organizations and private services. Using their myriad contacts, for example, these organizations have helped MNC's to play a part in the formulation by UN agencies of industry codes and lists of hazardous products; they have arranged for corporate experts to provide technical assistance to their countries' GATT negotiators; they have helped bring about a World Conference on Environmental Management, to be held in Paris in the Fall of 1984, at which top company executives will exchange information and views with ministerial-level representatives of many nations. These organizations are also important sources of information to their business constituencies. As data sources, however, they are often supplemented by private firms, which may also provide advice and operational assistance.

Business Organizations

Perhaps the principal international organization of business is the International Chamber of Commerce (ICC). Based in Paris, the ICC has formal consultative status in the United Nations and its related bodies. The ICC also represents business views through informal liaison with the GATT, and the Union of Industries of the European Community. Other important multinational bodies are the International Organization of Employers, which represents employer interests on labor and social issues at the International Labor Organization (ILO) in Geneva, and the

Business and Industry Advisory Committee (BAC) to the OECD.

Such groups are built from national affiliates. Over 50 national federations or organizations are members of the ICC, and each has developed its own mechanism for dealing with international issues affecting their members. One of them is the United States Council for International Business.

The United States Council

Founded in 1945 and based in New York, the United States Council has 260 member companies and a staff of 30. Its program has two main parts: education and policy-making.

Educational activities include the publication of nine newsletters devoted to analyses and information about issues, policies and actions of the European Community and the OECD, to developments affecting the flow of business across national borders, and to other matters affecting international business; handbooks on the EC, the OECD, and the ILO; proceedings of conferences the Council has sponsored; a quarterly magazine; and a variety of other reports and booklets. Other activities involve luncheon briefings and seminars conducted by experts on international business affairs and key public policymakers.

The Council's policy-making program is carried out through a network of twenty-six committees and several task forces, and through the activities of fifteen staff members, two of whom are based in Washington to follow regulatory and legislative affairs, while one is in Paris as a Council representative to the ICC. The Council's committees reflect both the general interests of corporate members—as its committees on Multinational Enterprises and Investment or Industrial Relations—and the special interests of particular business segments, such as Banking Technique and Practice and Air Transportation committees.

Committees typically meet three or four times a year. Their sessions consist of briefings by Council staff members assigned to them, and occasionally by committee members with special expertise, on new developments in the committee's field of interest, and the formulation, where deemed appropriate, of a response. Responses are likely to have been drafted by staff members in advance of the committee meeting. They are then communicated to policymakers by letter or in the form of position papers.

These responses also constitute policy proposals to the ICC and BIAC, which, through parallel committee structures, may be adopting positions on the same issues. A Council official says: "If our recommendations differ from those that they are considering, which happens rarely, an attempt is made to arrive at a consensus document. This may on occasion entail the weakening of the U.S. document, which tends to be stronger than the others."

The United States Council also provides certain liaison activities. Because it is based in New York, it may be asked by the ICC to augment its own representation at the UN.

National Trade Associations

Trade associations, like the broader national business organizations, serve their members in each of the political arenas. For example, they may:

- Provide advice and practical assistance to individual firms in connection with licensing agreements, customs requirements and procedures, and other dealings with foreign governments.
- Represent member interests at the United Nations or the European Community, by giving information for industry studies or participating in the development of codes.
- Engage in public policy advocacy at home on trade and related issues.

An association's role in public policy advocacy depends on the amount of agreement among its member companies ("the worst thing you can do is to divide them by forcing an issue," one association executive says), and on their public affairs resources and competence. Where the interests of important members, or the strategies they advocate, are in conflict—as has been true in certain U.S. industries—association activity is hobbled. Where members are in agreement, even those with strong programs recognize that trade association advocacy has the special power of demonstrating consensus, while at the same time conserving the resources and political credit of individual firms.

MNC's have found that trade groups representing their product or service lines, in one participant's words, "are not everywhere available, effective, or on the same wavelength as the company." Several U.S. executives believe, too, that European companies have allowed their associations' managers to take over. One says: "Things are changing, but as a rule the organizational secretariats run things: Business people themselves are not sufficiently involved." Another comments: "One aspect of the foreign milieu is that the legislative process does not give windows of opportunity for business inputs. Any inputs tend to be channeled through specific organizations. In Great Britain, for example, the Confederation of British Industry is expected to reflect the business view while the Trade Union Council reflects the Labor view. If your thinking is deviant, you will have a hard time making your views known to the Parliament."

How active the heads of MNC subsidiaries are in the public policy efforts of their host country's trade associations varies with the quality of the managers, characteristics of the associations, conditions in the countries, and the nature and impact of the issues—and also with the expectations of higher management. Local participation in association activities goes hand in hand with corporate interest and commitment to international public affairs.

Private Firms

Private consultants serve multinationals by providing information and analysis, planning counsel, and operational assistance. Their service may be to the headquarters organization or to country operations.

Local consulting arrangements are often made with public relations firms, which typically offer wider and more diverse public affairs services as well. A food executive reports that virtually all of its many foreign operations employ such contractors. He comments: "In addition to performing traditional public relations services and helping country managers develop strategies on new issues, they can be an important resource for dealing with, say, the price control bureaucracy, for setting up meetings with legislators or other key policymakers, and for making connections."

Arrangements are made at the corporate headquarters of one multinational finance company for the local services of about 35 public relations consulting firms in countries around the world. Some of these local firms are affiliates of large international organizations, others are independent. While about two-thirds of their efforts are devoted to local market support, an official of this firm says, corporate needs are also served by the rest. Services to company headquarters range from transmitting information about local conditions and developments to setting up press events for senior executives who visit their areas.

A number of participants stress the limits their companies place on the role of such consultants. They "prepare the terrain," one comments, "arrange and facilitate contacts, but do not represent us." Another says: "We do not delegate direct contact or negotiations to any other party."

Where outside services of suitable quality are not available—as is reported to be the case, for example, in certain Latin American countries—companies may conclude that they have no choice but to establish or strengthen their own local resources. In either event, help may be obtained from other businesses—banking connections, customers and suppliers—particularly in gaining access to government officials.

Chapter 3
Functions of Staff

THOUGH staff professionals are not, as a rule, the only corporate players in international public affairs, the roles assigned to them largely define the scope and character of company programs. Such personnel have three potential functions: to provide staff support to top management, to assist the line organization, and to participate directly in the public policy process. Implicit in these functions is the further role of coordinating responses to issues that arise in numbers of countries or that manifest themselves in two or all three of the political arenas—the home country, international bodies, or foreign countries. (See Exhibit 2.)

Marked differences are reported from company to company in the amount of time staff members devote to each of these functions. Comprehensive programs embracing all of them are unusual. More commonly, certain functions get little or no attention from corporate staff. "Domestic issues affecting the company's international business occupy all of our time," says the director of international affairs at one U.S. firm, for example.

Assistance to Top Management

Corporate international public affairs staff members may support top management in its managing role by contributing information, special programs, and professional expertise to its planning, organizing, motivating and control functions. Staff members may also assist top executives in their role as participants in the public policy arena—as advocates of company views and interests. How much time and attention they devote to each type of staff support, if any, varies markedly from one company to the next.

Monitoring the Business Environment

Establishing the department as "a center of legislative and political information," one corporate affairs vice president says," is a necessary condition for developing a fuller staff role—a basis for exploring issues with managers and helping them to deal with problems, and for entering into the strategic planning process."

If personnel with international public affairs responsibilities do little or nothing else, they are almost certain to engage in efforts to monitor the foreign and international business environment and to interpret the significance of emerging issues for their companies. Nearly half of those participating in this survey also identify this function as being among the one or two that occupy most of their staff members' time—a markedly higher ratio than is claimed for any other staff function.

The impression conveyed by these findings, however, must be qualified. Efforts to collect and analyze information pertinent to company interests in foreign and international political arenas are characterized as "significant" by fewer than two in five of the executives surveyed. A higher proportion called them "slight," and one in seven, "nonexistent." Part of the explanation for this apparent discrepancy is that, while a formal monitoring program may signify an intention by top management to bring international public affairs under some degree of corporate-level cognizance, it is often undertaken not primarily or at all for this reason but, rather, to guide such functions as investment-planning, marketing, and production-scheduling. The rest of it is simply that existing monitoring efforts *are* often slight and haphazard.

Most executives agree that to be used effectively—as an aid to averting, rather than just reacting to, crises—the knowledge gained through environmental monitoring must be integrated into the planning process. A Conference Board study published in 1977 found that environmental analysis entering into the planning process at most MNC's tended to be unsystematic, relatively meager in amount, and superficial in quality.[1] However much this may have changed, over two-thirds of those participating in the present study still say either that no effort is being made by their companies to factor information about the foreign

[1]Joseph LaPalombara and Stephen Blank, *Multinational Corporations in Comparative Perspective*. The Conference Board, Report No. 725, 1977.

Exhibit 2: International Public Affairs Job Descriptions: Volvo and Alfa-Laval

Volvo: Director, International Affairs

1. Responsible for International Affairs, subdepartment of Corporate Affairs (including Public Affairs, Market Relations, and International Press Relations).
2. Continuously follow worldwide developments concerning trade and industrial-policy issues with relevance to Group activities (countries and international organizations).
3. Report on a regular basis to top management on the economic-political development worldwide.
4. Coordinate information and policies toward international organizations and authorities and to foreign subsidiaries.
5. Representative and coordinator toward Swedish authorities and organizations in matters concerning trade policies.
6. Under Head of Corporate Affairs, responsible for contents and logistics in connection with yearly international PR-conference.
7. Develop contacts toward international organizations.
8. Follow-up of foreign subsidiaries concerning PR and Public Affairs matters.
9. Report and draft documents (lectures, letters etc.).
10. Responsible for updating of files (on international organizations, issues, countries, etc.).

Alfa-Laval: Director, Public Affairs and Communications

Objective

To create an understanding of, and favorable attitudes toward the Alfa-Laval Group, inside and outside the Group. The ultimate goal is to maintain and enhance the Group's competitive strength in a broad sense of the term.

Authorities and responsibilities

Develop, Maintain and Promote:

— Policies, rules and recommendations to ascertain a company profile program, and to uphold it through training and corrective measures.

— Methods and systems to coordinate Group communications and to improve personal proficiency.

Participate in:

— Establishing "Public Affairs and Communications" units in the major Alfa-Laval markets in order to carry out an effective and efficient communications activity Group-wise. This also comprises the selection of professional communicators to serve Group companies as staff members or as consultants.

Perform:

— Function as the primary communications channel of the Executive Group Management (company spokesman, press officer, etc.).

— Conduct research on the attitudes of important groups toward Alfa-Laval, and develop programs to increase company awareness.

— Function as a general-purpose information bureau to deal with "company questions," and to channel requests to appropriate sources.

— Function as an opinion maker by participating in various debates, etc., to present and represent Alfa-Laval.

— Develop and carry out short- and long-term information programs with the aim of broadening public knowledge and acceptance of Alfa-Laval.

Render Services:

— "Trouble-shooting" within the entire field of communications of the Group. Other Group units may thus occasionally utilize central resources to solve communications problems of an unusual or infrequent nature.

and international environment into company plans or that the effort is "slight."

That this is also a condition at lower-than-corporate levels is suggested by the experience of a public affairs executive who, asked for the first time to review divisional and country plans, discovered that there was "no real connection between the plans and the environmental situation so carefully described."

Developing Positions

Many companies have developed and promulgated within their organizations broad statements of policy on corporate behavior and external relations that are designed to guide both domestic and foreign units. (See Exhibit 3.) A smaller number adopt formal positions on specific issues of public policy.

Exhibit 3: Policy Guidance at Ford

The system by which corporate policies are promulgated throughout the Ford organization is described by Ford Motor Company's Director of International Public Affairs as follows:

"The fundamental philosophy and conduct of Ford's affairs around the world are governed by internal policy letters issued by the parent company and the individual affiliates. These documents, dealing with a variety of corporate concerns from 'Public Affairs' to 'Compliance with Anti-Trust Laws,' enunciate basic business principles as well as guidelines for conduct which Ford employees, wherever located, are expected to know and observe.

"Ford subsidiaries put into effect the principles outlined in the parent company's policy letters by adopting versions of these policies suited to local circumstances.

"Executive responsibility for implementing each parent company policy letter is assigned to the office of the appropriate corporate vice president. Interpretation, application and administration of affiliate policies is the responsibility of the Managing Director or General Manager of each affiliate.

"Paramount among these internal Ford guides are policies on Standards of Corporate Conduct, which stress that safeguarding the corporate reputation depends on the conscience of each individual as well as on strict compliance with the law. The policy strictly imposes the obligation on Ford management always to follow the spirit as well as the letter of the law.

"At Ford, there is a delineation of responsibilities between Public Affairs and Governmental Affairs in our world Headquarters office, with each of these two staff areas headed by a vice president. Abroad, the two functions are in some cases combined in a single staff.

"Since March, 1982, all activities of Ford companies having to do with 'Public Affairs,' have encompassed the company's relationships and communications with its various publics—including customers and potential customers, stockholders, dealers, suppliers, employees, residents of plant communities, and members of the news media, the academic community and the public policy community.

"Governmental Affairs matters within Ford are governed by two policy letters. One encourages programs to increase corporate awareness of relevant appropriate Ford positions on them. It prohibits any use of company contributions, resources or policy support for partisan political purposes.

"The purpose of the other is to guide Ford affiliates outside the United States in their contacts with government officials, in the issuance of public statements, and in the coordination of public and governmental-affairs activities of two or more Ford affiliates or components in the same country.

"Underlying the latter policy is the need for fundamental Ford interests and positions to be presented worldwide in an accurate, timely, ethical, persuasive and consistent manner. While recognizing the necessity for each affiliate to be sensitive to the needs and desires of its national constituencies, this policy letter highlights the concomitant need to be mindful of the potential impact of issues 'on Ford as a whole.'

"To avoid inconsistency or myopia in publicly representing significant Ford positions, Ford policies suggest joint consultation, coordination and review among company affiliates in the same country through the establishment of a National Affairs Committee."

Among the 60 MNC's having public affairs personnel with international duties, 44 report that these staff members take part in drafting position papers and making policy recommendations for top management on foreign and international public policy issues. Only 13, however, identify this as a function that receives most of their time, while many more say it takes the least time.

The purpose of position papers on international issues is to ensure that a consistent view is espoused in the company's name. An officer at a Swiss-based MNC comments: "The activities of larger companies are being monitored—and reported on—increasingly, by news agencies, intergovernmental bodies, international unions, and anticorporate groups. Contradictions in company policies have to be avoided. Often local management does not know about all the sensitivities and exposures." Positions papers, this executive adds, are designed not just "to inform the top three levels of management," but also, "to serve as a source of information for communicating to our various publics--and, of course, to explain policies to government officials."

Such documents have the secondary benefit, some suggest, of making managers and staff more aware of public policy issues as corporate concerns. And at least one public affairs executive who has recently led her company to the adoption of positions on controversial public policy issues for the first time, thinks the process can have a strong stimulative effect. Calling it a "landmark event," she believes it has placed her company on the road to a fuller international public affairs effort by involving line management in the identification of key issues and the provision of information and views about them, and by gaining top management's approval of and participation in the effort.

A number of companies report that they bring foreign-operations personnel into the process of developing positions. A Caterpillar Tractor Company executive reports:

"Typically, the local facility's management is involved in the development of a position on a public policy issue. That position is reviewed at corporate headquarters. Upon approval by senior management, it becomes a specific corporate position, usually communicated in the form of a Governmental Affairs Bulletin." While one aim may be to enhance their interest and participation in public affairs, another is often to ensure the utilization of the special knowledge they hold. Indeed, MNC's initiating corporate programs may find that they have an invaluable resource in the public affairs professionals present at foreign subsidiaries. One European company, for example, brought a U.S. public affairs specialist to its headquarters for several months to help it develop positions on several important issues—and, incidentally, to translate them into colloquial English.

Oversight and Control

Most MNC executives describe their companies as decentralized and their foreign operations as autonomous profit centers with full decision-making authority. "But, paradoxically," a European public affairs executive says, "decentralization requires greater effort and alertness at corporate headquarters to ensure that proper attention is given to public policy matters at company facilities around the world." Autonomy, in fact, proves always to be qualified. A recent Conference Board study found, for example, that local managers are being given greater discretionary authority in some areas, but by no means in all.[2] On such matters as committing capital resources or selecting key personnel, for example, they may be getting less authority.

The present study indicates that the trend toward decentralization is continuing, and that it applies to public affairs as well as to other functions. Eighteen of the participants report that the decision-making authority of local managers is greater in their companies now than five years ago, while only five say it is less. The study also shows, however, that senior management in most MNC's insists on a degree of oversight and control. More often than not, senior management asks to be informed or consulted on a wide range of matters, and in many cases denies country managers the authority to act without express approval (Table 2).

Corporate influence is exerted explicity and obliquely. One participant, who comments that "local autonomy is always at the pleasure of top management," points to these ways in which the nominal independence of local managers in his company is modified:

- "We do not presume to tell operating units how to run public affairs, but we do tell them that they cannot do certain things. They cannot violate the laws of the United States or of their host countries. They cannot make 'accommodation payments,' for example.
- "We develop public relations programs and communications approaches that they are urged, and subtly pressured, to apply locally. Several years ago, corporate staff people were sent around the world to 'explain' a new program.
- "Big guns from corporate headquarters, in their own travels or on the occasion of visits from field executives, may say a few words—plant a seed—about the kinds of initiatives they would like to see taken.
- "Public affairs staff people at corporate headquarters do not directly criticize actions taken or not taken by operating managers, but often make their views known to local public affairs staff members."

The many ways in which corporate management may influence the level and quality of public affairs activities at foreign operations are summarized in the box on page 21.

Staff Review

One of the more striking findings of this study is that in only about two out of five of the companies surveyed are the public affairs plans of foreign operating units regularly reviewed by corporate staff, or their activities monitored or evaluated. At Pfizer, one of the firms that provide such review, the head of international public affairs not only spends a great deal of time communicating with the field, but sees the annual plans and budgets of operating units and has the opportunity to make suggestions.

Interviews with participating companies indicate, however, that such corporate staff review is rarely so systematic. Nor is this a function that commonly occupies much of the time and attention of staff members, if they are involved in it all. "Staff people present at some of our larger operations report through line channels and there is no staff oversight at the corporate level," a Director of Public Affairs says. Overall, only one out of four participants say that a "significant" effort is made in their companies—either by staff personnel or line managers, through on-site inspection, review or other methods—to keep track of the public affairs plans of foreign subsidiaries and to appraise them.

Participation of Top Management

Top executives in MNC's are likely, at various times, to testify at legislative hearings, meet with public officials, assume responsibilities related to public policy in business organizations, or otherwise participate personally and directly in public affairs activities. In some companies—American Express and PepsiCo, for example—they have been leading activists in efforts to open new markets, to resolve issues arising in foreign countries that relate to corporate policies and practices, or to influence their own

[2]Ronald E. Berenbeim, *Operating Foreign Subsidiaries: How Independent Can They Be?* The Conference Board, Report No. 836, 1983, p. 3.

Table 2: Degrees of Local Autonomy

Hypothetical Situation	What Local Managers Would Be Expected to Do: To Seek Prior Approval of Higher Management	To Advise and Consult with Higher Management	To Act Independently
	(Number of Companies)		
• An environmental group has published material about the operation and its management that local counsel deems libelous. *Local management is considering legal action* .	35	40	6
• An opinion poll has shown that public respect for the company has dropped to an all-time low in the country. *Local management is considering launching a major public information, education and image-building campaign*	26	43	12
• The government has issued guidelines covering security arrangements for corporate personnel that are at variance with existing company recommendations. *Local management is considering acceding to the government's wishes*	24	44	13
• A decision has been made to build a new manufacturing plant. *Local management is considering sponsoring meetings with civic and environmental groups to present and discuss the company's plans before undertaking this project*	10	32	39
• Legislation has been proposed that would make environmental requirements more stringent and would increase penalties. *Local management is considering a strong effort to defeat it*	26	43	12
• Trade restrictions in a country have for some years had an adverse effect both on sales and on the flow of supplies to manufacturing operations in the country. *Local management judges the time propitious for—and is considering—a serious effort to have the restrictions lifted or eased*	21	43	17
• It is learned that plans are being made by the government to nationalize foreign companies of a type that includes the subsidiary. *Local management judges that it is possible to avert this measure, and considers a strong effort to do so*	48	31	2
• A government, administration or regime that has pursued policies inimical to company interest is being challenged by an opposition party that is considered to have moderate prospects for success. *Local management judges that open financial support for the opposition party would carry an unacceptable risk, but is considering covert support*	55	20	7

country's trade policies and international systems. Assisting them in such activities is second only to issues-monitoring as a public affairs staff function; it ranks second, too, in the time it consumes. Most professionals feel that a responsibility accompanying these functions in support of top management is to "educate" these executives in the proper value and uses of public affairs in international matters.

It is not unusual for public affairs representatives to describe their senior management as being unsophisticated about international public affairs and lacking either the skills or the resolve to exercise proper leadership in this activity. One U.S. MNC executive says: "Our senior people think of themselves as local boys who got lucky. Their eyes glaze over when you mention Washington, let alone China or other far-off places."

Some suggest that an important function of corporate staff may be to curb top executives at certain times. One executive, impressed with the ability of country managers in his firm to handle local issues—issues often delicate, intricate, and changing rapidly in character—says that the urge of high-level corporate executives "to enter the picture and go themselves to top government officials when important issues arise" may be counterproductive. Local managers, he says, may better understand where the power

lies—often in the senior civil service—and act more effectively. In fact, he adds, "an important skill of field managers is the ability to persuade corporate management to leave room for you to handle the job."

Direct Participation by Staff

Since the issues that arise in international bodies have multinational implications, they are inherently corporate-level concerns if they affect company interests at all. Still, in hardly more than half of the 60 firms with international affairs staff do the duties of these professionals include direct participation in the affairs of international bodies. Twenty-six of them report that they work at the United Nations; twenty-four work at such organizations of the developed nations as the European Community and the OECD.

Staff specialists from divisional or country units often share with headquarters staff the duties of work with international organizations. They are solely responsible for relations with UN agencies in three companies and with EC and OECD relations in eleven.

Particular foreign countries comprise another arena of participation by some corporate staff members. The vice president for public affairs of Pfizer's International division, for example, who goes into the field periodically for the purpose, has met with journalists, economists and government officials in Argentina, India, Japan, the United Kingdom, and other countries—"not to present them with a specific request," this executive says, "but to discuss their perspectives and present the Pfizer view on various issues—the need for stronger patent protection laws, for example, or the value of a less stringent price control system." By and large, however, most companies would like local management to assume as much responsibility in their countries as possible. Corporate staff members with regional responsibilities at Avon, who have negotiated policy issues with government officials and otherwise participated directly in country affairs, report that they have been successful in getting local managers to take over much of this duty, thus freeing themselves for a stronger counseling role.

While about two-fifths of the participants who have international public affairs personnel report that they sometimes engage in activities such as presenting company views and information to foreign officials, this appears to be only an occasional activity in most of these companies. Only two firms identify it as among the most time consuming functions of corporate staff.

Assistance to the Organization

Headquarters staff may design programs and services for the use of all company operations, and also tailor assistance to the needs of individual units. In both cases, public affairs personnel note, they are also performing a developmental function—that is, contributing to the political awareness, sophistication and skills of foreign subsidiary managers.

Corporate Influence on Foreign Operating Units

Corporate management and staff may influence the public affairs activities of operating units in foreign countries in any of the following ways:

1. By giving weight to public affairs interests and abilities in the selection of top country managers;
2. By creating conditions favorable and conducive to public affairs activities and programming such as:
   a. Maintaining education, training and information programs;
   b. Rewarding managerial performance (giving weight to public affairs in performance appraisals; special forms of recognition);
   c. Requiring that higher management be apprised of plans and given reports on completed activities.
3. By providing assistance to public affairs planning and operations through such means as:
   a. Issuing guidelines;
   b. Responding to requests for information or analyses, or providing unsolicited information and analyses;
   c. Responding to requests for advice or counsel, or providing unsolicited advice and counsel;
   d. Linking operating units with other sources of information, service, advice and counsel;
   e. Performing direct operational tasks.
4. By measures of control, such as:
   a. Requiring that local public affairs activities conform to, or be consistent with, corporate policies and positions;
   b. Requiring that operating units meet staffing or other organizational standards;
   c. Requiring that annual or other periodic plans include a public affairs component;
   d. Requiring corporate-level staff approval of plans and contemplated actions;
   e. Conducting ongoing monitoring and evaluation of country activities.
5. By coordinating public affairs activities in the various countries through such means as:
   a. Requiring that corporate management (and staff) be kept informed about plans and activities;
   b. Arranging meetings of country managers for the purpose of considering issues of common concern;
   c. Circulating information about plans and activities of operating units and corporate headquarters.

General Services

Communications and image-building programs designed for local adaptation and use are one form of general or group support. Such programs are presently provided by nearly three-fifths of the participating MNC's with international public affairs personnel. Support may also be in

informational and coordinating services. The ability of corporate staff to be useful to local operations in these respects depends on the breadth and depth of its working relationships with top management and members of other corporate staff units, and with the nature of the field organization. It relates, too, to the scope of headquarters programs of environmental monitoring and analysis.

Information is disseminated to operating managers and staff to alert them to issues that may arise and to provide such facts about the issues as where and how they first surfaced, the forms that they have taken, their implications for the company, the company's position on them, and how they have been dealt with. Some study participants suggest that the greatest asset a corporate staff has in assisting the line organization is its ability, as several put it, to "cull and transmit the collective experience of the organization," to "pass on lessons learned in various parts of the world," and "avoid having to reinvent the wheel."

Information is often conveyed in more or less ad hoc fashion—through memos on issues as they arise, copies of company positions, or background materials. Some companies also produce periodic information bulletins. The international public affairs department at one company, for example, sends to company managers monthly synopses of press clippings and other reports that it gathers from around the world—material that it organizes by issues and by countries. Another firm produces a periodic International Trade Issues update; a third puts out a quarterly Issues Report; and so on.

Informational activities are often conducted at meetings. For example, the head of Merck's public affairs department reports: "A lot of communication takes place with the staff people who assist our line managers with their assigned public affairs responsibilities. We have no newsletters and hold no regularly scheduled meetings. But we have had occasional meetings with these part-time managers in Europe. These have lasted a couple of days and consisted of presentations on public affairs accomplishments, examinations of experiences and lessons learned from them, descriptions of current projects, and discussions of issues." A petroleum company holds more formal periodic regional meetings—the frequency varying by region—and a world gathering of public affairs people every two years.

Subsidiary management may shape material it receives from corporate headquarters to fit its own needs. The U.S. operation of a French MNC, for example, reports that it reviews press releases, promotional materials, and other communications emanating from Paris, "translating them into vernacular English," and negotiating deletions, additions and changes in wording where these are deemed appropriate to its U.S. public relations goals. (It has also stepped in where the parent organization, in its eyes, has been neglectful, and developed its own guidelines on corporate social responsibility and on the rights of employees and the public to information.)

Special Services

Among the 60 participating MNC's that have staff members with international public affairs duties, 44 provide at least a minimal level of special, or individualized, service to foreign operations. Only 24, however, characterize such support as more than "slight." One Director of Public Affairs says: "We tend to be crisis managers. The truth is that those responsible for foreign operations would rather handle things themselves than come to the corporate staff for help. This is partly the culture of the company, partly that they do not see a benefit or need. Sometimes they come too late." Corporate staff help may be direct or in the form of referrals to local resources. It serves various purposes.

Planning and Operations

Sometimes the staff role is to help foreign operations develop or fine-tune their own plans. At Chevron Corporation, for example, operating companies are required to submit their public affairs plans to the corporate Public Affairs Planning and Research Staff. Members of that unit review the plans and work out adjustments they consider appropriate with operating company management.

More typically, the purpose of individualized staff support is to help foreign subsidiaries deal with pressing immediate problems. This may bring the corporate unit deeply into the local problem-managing process. For example:

To help a country operation deal with a threatened excise tax, one corporate staff group developed a comprehensive plan that included an analysis of the impact the tax would have on the country's economy, as well as on the industry that would be most immediately affected and a media and public relations campaign. It also engaged the services of lobbyists.

In commenting on popular uneasiness over off-shore drilling at Santa Barbara, the head of international public affairs for Chevron Corporation says, "techniques for gaining acceptance have been learned that we believe can be adapted to a project coming up in Canada."

To the international public affairs director of a beverage firm the "big information management task is to organize and systematize the information flow so that if, say, Australia has a problem, it will be possible to find out where a similar problem arose in the past, how it was handled, and what outside resources were helpful."

In a role that verges on the operational, corporate staff members sometimes arrange meetings between government officials and country managers. The head of a U.S. oil company's public affairs function, for example, brought together a British cabinet minister with key company executives and engineers in a meeting that resulted, he says, in "this key official beginning to understand that his

government had created a structure that would strangle new development."

Other Special Support

Participants also describe other forms of support to foreign subsidiaries.

Development: While some training or developmental benefit to local personnel may result from any of these encounters with corporate staff members, the experience can often be designed in some way to promote or enrich it. The Vice President for Consumer and Government Affairs at Reader's Digest, for example—acting on the principle that each country operation is responsible for its own public affairs activities—has helped country managers and their staffs develop tactics for meetings with government officials and then met with them afterward to evaluate the experience and consider further moves. Another international public affairs professional says: "My role in the company is not to figure out how to handle specific issues in particular countries, but to generate an attitude toward government relations among our managers." (See box, this page.)

Staffing: Corporate personnel are sometimes consulted about local staffing matters, such as advising operating units when to hire public affairs specialists (one says he often points out that doing so may be "a knee-jerk reaction" and not the best way of meeting a need), and helping to locate and screen candidates. In a few companies, the corporate professionals have what one calls "nearly absolute control of hiring." This executive adds: "If the managing director in a foreign country wanted to hire a public affairs specialist, that person would have to be interviewed and approved by corporate public affairs. Otherwise incompetent people would probably creep into the organization and cynicism would develop."

Funding: Corporate public affairs units may help local operations with money, their budgets including discretionary funds to be made available to country units when important issues are at stake and, as an executive in one such firm says, "the local organizations cannot otherwise handle them."

Gaining Line Support

Participants note that the effectiveness of corporate staff people, whether in monitoring and assessing line activities for higher management, assisting local programs, or enlisting country managers as sources of information, rests heavily on the sensitivity and political skill with which they cultivate trust. An oil executive says: "The relationship between corporate staff coordinators in each of our regions and the various operating units must be harmonious. Even if the fault is not with the staff person, a replacement may be made."

The need for trust is greatest in the early stages. As one International Public Affairs Director sees it, three things must be kept in mind when a corporate effort is being launched—first, that "some kind of a system has already been in place"; second, that "many line managers have a deep antipathy to headquarters interference"; third, that "the further down you go in the chain of command, the less the appreciation of what you are trying to do." In short, this executive says, "a system has to be built that accommodates the personalities and the status quo"—or, as another puts it, "the program has to be sold to the organization."

Some suggestions about how to do these things have been gleaned from study participants.

- Suggestions to top management: Your communications about international public affairs programs should

Challenging Government Decisions

Public policy issues in foreign countries are often decisions of particular government officials, a tobacco executive reminded a business audience in China not long ago. Among his observations were the following:

"When I ask management why they are doing something that obviously is not in the best interests of the company, the most common answer is: 'The government told us to do it.'

"Nonsense. There is no such thing as 'the government.' Every action is taken by a human being who has a name and title, and he takes the action by writing a letter or by making a telephone call or through legislation or some other identifiable, describable act. Find out who in the government levied a requirement, what is his title, what is his authority. If you can, try to find out why he did it.

"Avoid the automatic assumption that you have to do something just because 'the government' tells you to! This is difficult in many countries where government has always assumed a paternal posture and where people grow up obeying everything anyone in the government says. One of the most difficult public affairs tasks in Asia is to get across the notion that you do not always have to do what the government says. Check the initiating authority and find out, first, if they indeed have the authority to make their demand stick. Is it legal? You may simply want to ignore an unpleasant order from someone who does not have the authority to issue it, or if the order itself is not legally binding.

"A few years ago, I ran into a situation where a minor government official who had certain licensing authority issued a demand to local retailers that they undertake a certain action. He added that he would not renew their licenses if they did not comply. The action was against my company's interests, and we checked the legality of the demand. We found that not only was the official not authorized to issue his demand, and not only were the retailers not legally bound to obey it, but that the official's action could be interpreted under the local criminal code as extortion. The issue was resolved in our favor when one of our junior staff called this to the official's attention during an informal, off-the-record conversation."

Source: Excerpted from remarks by Warren W. Williams, Area Director for Public Affairs and Public Relations, R.J. Reynolds Tobacco International, at the Business International Heads of Asia/Pacific Round Table, January 25, 1983, Guilin, People's Republic of China.

assure line managers that, in your eyes, they are the ones who understand best what local conditions are—that international public affairs staff will neither try to "call the shots" from corporate headquarters or try to "force feed" techniques learned at home or in other countries.

- Suggestions to the international public affairs staff: First, carry this same theme forward in your relations with the field. Cultivate these relations in person as much as possible. Go into the field often for this purpose, as well as to learn about local conditions and provide help where possible. Second, develop your program slowly. Try to demonstrate its value through a sequence of carefully selected interventions that bring welcome results to particular managers at particular places. "Look for vacuums to fill"; "convince line managers that you can help them meet their objectives, whether these are measured in dollars or changes in public opinion or some other criteria"; "show that you can make them look good." One public affairs executive says: "I never make contact with the field unless I can provide some help—find something on the back burner that has not been attended to for lack of time." Related suggestions are that the new corporate international public affairs executives "distance" themselves from top management, position themseives as "consultants to the field," take risks, and accept unpleasant assignments.

Coordination

Providing the mechanism for effective interaction among line operations, and between line and corporate staff, calls for information exchange mechanisms and for cooperation in the planning and conduct of activities. International public affairs professionals are often surprised at how little cooperation there is between units of their companies. The head of a recently inaugurated program says: "We discovered that operations 50 miles apart sometimes do not talk to each other."

The Director of International Public Affairs for Allied Corporation describes one step that was taken toward this end after his discovery that fifteen different Allied businesses (auto parts, aerospace, electronics, chemical sales) at twenty-three locations in the United Kingdom, each reporting to one of the firm's five product sectors, had little to do with one another. He organized a meeting in London to which the unit heads, with one or two assistants each, were invited. Recognizing "the resistance of country managers to responsibilities imposed by corporate headquarters," he phoned each of the 15 managers personally to explain the purposes of the meeting and invite their participation. He describes the meeting as follows: "I was very content to let them set the agenda and frame the terms of the discussion. We opened with a dinner, and it was clear that each of the participants knew, at most, several of the others. A breakfast meeting the next morning was addressed by our chairman and chief executive officer, who spoke about Allied's plans in Europe and the United Kingdom. Attendees were asked to talk for 15 minutes about their businesses and problems. An outside political consultant made a brief presentation about the current UK situation and a high ranking trade official spoke at lunch. I was reluctant to bring a threatening array of corporate staff people, but the attendees found the meeting so useful that they asked that some corporate representatives be invited to subsequent ones.

"London has been something of a model, an approach to creating tighter company groups in various areas and making them more aware of public affairs. International Public Affairs has to use local people for tracking and external communications. Objectives have to be agreed to jointly and informally. Local managers have to be shown that by working with the corporation they are better off. They have to know that they can come to you for help and be willing to do so, and that it is important and in their interest to keep you posted on what is happening."

Chapter 4

Trends, Problems and Prospects

ATTENTION to the management of international public affairs has increased at most MNC's during the past five years. Although a few oil companies and other firms report some falling off, and many others see no change, a majority claim that their efforts have increased in some respects. (See Table 3.) About a fourth of the participating firms say that a "marked" increase has occurred in their efforts to ensure that key public affairs functions are effectively coordinated. In other respects, the numbers are smaller.

Internal Systems

Despite the widely reported growth, only a minority of the executives taking part in this study report that significant efforts are being made by their corporate management to achieve certain basic planning, coordination and control objectives. (See Tables 4 and 5.) Judging from efforts being made toward specific managerial goals, this study finds that only a minority of participating MNC's are trying to put integrated systems into place. None of the eight listed objectives in Table 5 is pursued to a significant measure by even half the participating firms. Thirty-seven of the 82 companies seek to ensure that the corporate elements of the public affairs staff function are effectively coordinated, while almost as many report that "no effort" is being made to coordinate the activities of foreign operations.

Most of the multinationals that characterize their efforts as "significant" are drawn from the minority of firms that presently employ international public affairs staff specialists. By and large, companies without such personnel make no effort to achieve any of the listed objectives. However, about half claim that some effort is made to collect and analyze information pertinent to company interests in foreign and international public affairs arenas.

Deficiencies

Three-fifths of the participants believe that their companies' international public policy efforts are less than adequate, characterizing them as somewhat lower or much lower than needed or desirable. Only a handful consider them to be strong or outstanding.

Participants at MNC's that employ international public affairs specialists—firms falling into Groups 1, 2 or 3—tend to be somewhat less critical than the others of their companies' efforts; even in these groups, however, more than two in five judge their firms' programs to be less than adequate. Some respondents in Groups 4 and 5 companies consider their firms' efforts to be adequate despite the absence of specialized staff at higher levels of the organizations, but seven out of ten do not.

What do these internal critics think are the key weaknesses or deficiencies in their companies' current efforts? Some answer this question in terms of the sources of company problems, while others speak of their manifestations. In sum, their comments touch on a number of the basic issues of international public affairs management.

Criticisms of Top Management

Several participants trace current deficiencies to the recent business recession, and predict improvement as the economy picks up and more resources become available. But any systemic weaknesses in a company are usually laid at the door of top management, and those involving international public affairs are no exception. For example, a British executive says: "There is no perception of need and thus no policy or effort." The perspective of his company's highest officers, he says, has lagged behind the firm's growth to multinational status. Others, too, see their chief executive as "still limited to a national horizon," lacking an "international perspective," not oriented to public policy involvement outside the home country. The results are: "no comprehensive plan or overview"; "minimal effort"; "no real attempt to mount and coordinate an effective program" (see box, page 28).

Implications of Decentralization

A number of participants believe that their companies' leaders have abdicated responsibility by placing it entirely on the shoulders of divisional and country heads. Decen-

Table 3: Planning, Coordination and Control: Recent and Expected Change

Company Efforts	How Changed in Past Five Years				Change Expected in Next Three to Five Years			
	Increased Markedly	Increased Somewhat	Not Changed Significantly	Decreased	Increase Markedly	Increase Somewhat	Not Change Significantly	Decrease
	(Number of Companies)							
To monitor and appraise public affairs activities of foreign operations (e.g., by reviewing plans, on-site inspections, etc.)	8	28	44	2	9	22	51	—
To support and assist public affairs activities of foreign operation (e.g., by providing information, counsel, contacts, etc.)	11	31	37	3	8	23	51	—
To coordinate public affairs activities of foreign operations (e.g., through newsletters, meetings of country managers and staffs, etc.)	7	19	49	5	6	20	56	—
To influence or control public affairs activities of foreign operations (e.g., by setting policies, requiring reports or prior notification and approval for certain actions, etc.)	4	18	60	—	7	14	61	—
To collect and analyze information pertinent to company interests in foreign and international public policy arenas	9	37	33	3	8	20	54	—
To ensure that information about foreign and international public policy issues is effectively integrated into strategic planning processes	7	33	40	2	7	23	52	—
To ensure that the key functions of public affairs (e.g., government relations, public relations, communication) are effectively coordinated	20	29	30	3	8	19	55	—
To ensure that managers and other key personnel of foreign operations are sensitive and alert to public affairs issues and competent to manage or deal with them	7	38	36	1	12	21	49	—

tralization is not necessarily abdication, many respondents seem to say, but it does place certain responsibilities on the corporate organization. One is to coordinate local and divisional activities. A Japanese executive comments: "There is no one specifically responsible at the corporate headquarters for coordinating international affairs. At present, public policy matters in a specific country are dealt with by each division with an operation in that country, and exchange of information between them is not sufficient."

A second need created by decentralization, some say, is for adjudication of diverse or conflicting divisional interests from the standpoint of the overall corporate interest. "At present, all foreign-policy decisions are made at the product-division level with only the interests of that division in mind," a U.S. executive says.

Decentralization assumes competence at lower management levels. Some participants see their own companies' key weakness as a lack of public affairs understanding and sensitivity among country managers. Top management, they say, is not doing enough to motivate these executives and develop their skills. Others argue that, until subsidiary heads are able to manage them better, at least some of their public affairs responsibilities should be assigned to higher-level personnel.

Finally, some participants believe that their parent organizations are not providing subsidiaries with proper policy guidance. An executive at a British MNC offers this observation, for example, about the activities of a German subsidiary: "Local management has been given such a high degree of autonomy—and has so little communication with corporate headquarters—that its posture and perspective tends to be that of a German national firm rather than an international one."

Table 4: Planning, Coordination and Control: Current Efforts

Objectives of Corporate-level Efforts	Current Level of Effort		
	None	Slight	Significant
To monitor and appraise public affairs activities of foreign operations (e.g., by reviewing plans, on-site inspections, etc.)	21	39	21
To support and assist public affairs activities of foreign operations (e.g., by providing information, counsel, contacts, etc.)	14	36	27
To coordinate public affairs activities of foreign operations (e.g., through newsletters, meetings of country managers and staffs, etc.)	34	31	14
To influence or control public affairs activities of foreign operations (e.g., by setting policies, requiring reports or prior notification and approval for certain actions, etc.)	28	41	11
To collect and analyze information pertinent to company interests in foreign and international public policy arenas	10	37	33
To ensure that information about foreign and international public policy issues is effectively integrated into strategic planning processes	17	38	25
To ensure that the key functions of public affairs (e.g., government relations, public relations, communication) are effectively coordinated	11	32	37
To ensure that managers and other key personnel of foreign operations are sensitive and alert to public affairs issues and competent to manage or deal with them	15	31	32

Table 5: Number of Companies Presently Making "Significant" Planning, Coordination and Control Efforts: by Staffing Group[1]

Objectives of Corporate-level Efforts	Group 1	Group 2	Group 3	Group 4	Group 5	Total
To monitor and appraise public affairs activities of foreign operations (e.g., by reviewing plans, on-site inspections, etc.)	6	8	1	5	1	21
To support and assist public affairs activities of foreign operations (e.g., by providing information, counsel, contacts, etc.)	9	11	2	3	2	27
To coordinate public affairs activities of foreign operations (e.g., through newsletters, meetings of country managers and staffs, etc.)	5	6	1	2	—	14
To influence or control public affairs activities of foreign operations (e.g., by setting policies, requiring reports or prior notification and approval for certain actions, etc.)	3	6	—	2	—	11
To collect and analyze information pertinent to company interests in foreign and international public policy arenas	11	10	3	5	4	33
To ensure that information about foreign and international public policy issues is effectively integrated into strategic planning processes	9	7	2	4	1	23
To ensure that the key functions of public affairs (e.g., government relations, public relations, communication) are effectively coordinated	10	10	6	8	4	38
To ensure that managers and other key personnel of foreign operations are sensitive and alert to public affairs issues and competent to manage or deal with them	10	9	3	7	3	32
Base	13	16	6	25	22	82

[1]See pages 9 and 10 for definition of Groups.

Thinking Globally

A point may be reached in the growth of a company's foreign business at which management begins to perceive the firm as an international enterprise rather than a national company with important interests in other countries. Some public affairs officers lament the lack of a "truly international perspective" in their companies.

What thinking globally implies for one company is described as follows by an officer of Honeywell. That company, he says:

- "Cultivates in the organization a mind-set that Honeywell is an international company with world markets—not a U.S. supplier;
- "Looks upon the cultural diversity of its far-flung organization as a key strength and source of vitality;
- "Makes long-term commitments to markets where there is a clear potential;
- "Lets profits fall where markets dictate and reinvests in countries where it makes a profit;
- "Develops and implements growth strategies through international teamwork that draws on the most talented personnel throughout the Honeywell network;
- "Invests only in growth areas that will strengthen significantly overall revenue and profits in a given market;
- "Makes selective acquisitions to complement established product lines and strengthen penetration in better-than-average growth markets;
- "Leverages the strength of worldwide operations by creating related ventures that use existing resources to produce additional sales and profits;
- "Enters into cooperative arrangements with a variety of leading international technology companies;
- "Bases production where it will most benefit competitive status;
- Does not permit exchange rates to dictate sourcing decisions on a short-term basis."[1]

[1]Mr. Lou Navin, Vice President and Chief Financial Officer, Honeywell, Inc., in a talk to the Conference Board's Financial Outlook Conference, San Francisco, April 12, 1984.

Staffing Needs

Adequate staffing, participants suggest, is a necessary condition for effective coordination and service to the organization, and its absence is the principal manifestation of limited vision or competence at the top. An executive at one of the world's largest MNC's says, simply: "We need full-time international responsibility at the corporate level." Another participant comments: "Too much of our time is spent putting out fires. Without enough staff it is difficult to do otherwise." Still another public affairs executive believes that effectiveness in his company is "sacrificed to a policy of lean staffing."

Several respondents report that staff reductions—one involving a cut from sixteen members to five—have left the international public affairs function seriously undermanned: "We now have too few to do the job," one says. Others indicate that staff has never been adequate, either "to cover international markets," "to coordinate an effective program," or—in a more affirmative vein—"to move our overall program from adequate to outstanding."

One participant suggests that there are not many experienced people available. He says: "It is possible to be tone deaf in this activity—to do it all wrong. There is a need to refine our techniques and expertise. I have good people, and they are learning by doing. Unfortunately, since this is a new function, there are not many experts to go to for help—or experienced people to hire."

Planning and Integration of Activities

The internal systems by which information is gathered, analyzed and communicated, strategies developed, actions planned, and staff and line resources coordinated are a common source of dissatisfaction (Table 4). One participant says: "We are still too often late to the table. Issues are well down the road before we get onto them. Their sponsors go a long way toward preparing public opinion and getting their act together before regulations are proposed. At that point, all we can do is nay-say and oppose. It would be better if we could propose."

Some of the study participants see a "fragmentation" of staff activities; others stress problems of communications. The head of public affairs for a Dutch firm says: "There is a lack of information on local public affairs issues at the divisional level, and even more so at the corporate level. Local management does have its own responsibilities, but local issues may have important impacts on the company internationally, and this requires a flow of information to higher levels." A U.S. executive notes, too, that "the autonomy of local units creates a gap in information flow and results in uneven problem solving." On the other hand, a firm that is inundated with information from its local managers and other sources needs "modern technology" to handle it, one of its executives believes.

Line Management Performance

Frustration with the performance of line management is expressed by many study participants. One sees the all-too-frequent culmination of an otherwise effective company system for identifying and prioritizing issues in the failure of area management to develop appropriate plans. Another says: "We have a long way to go in instilling sensitivity to political and economic issues among our local managers. We provide country managers with policy manuals. As new people are put in place they are given the manuals and their role as political officers for the company is emphasized. The head of the international division is expected to factor their public affairs performance into performance appraisals—and, in fact, does. But the results still are not satisfactory."

A more optimistic note is sounded by another public affairs director who notes that while "no formal efforts" are being made in his company to foster the level of line

involvement he thinks is needed in public affairs, "events themselves are forcing one line manager after another to become involved. As they do, they recognize the value of involvement and the need for staff support. The whole thing is escalating."

Outlook for Change

A few of the participants in this study are frankly uncertain about their managements' plans for the future. "I have submitted a development plan for international public affairs and am waiting for an answer," one says. A public affairs director with domestic responsibilities reports that he only recently initiated a meeting with public affairs people from foreign operations, the first ever held, and sees "the possibility of a corporate staff role as consultant, adviser to top and line management, catalyst, and so on."

But well over half report that their companies have no plans to change their approach to foreign and international public affairs or to alter the scope and character of their efforts. A staff member of a U.S. chemical company who devotes part of his time to international affairs sees no reason for the activity to grow. He says: "There is strong competition abroad and growth is difficult. Chemical companies are not increasing their international exposure—not adding staff generally. In the public affairs field their tendency is to look for consultants as needs arise."

As Table 3 indicates, most of those who do anticipate change expect it to be modest. The head of government affairs at a British manufacturing firm says, for example: "This area of interest is at a fairly early stage of development in the company as a separate discipline. It is thus not very sophisticated. The prevailing trend toward devolvement of responsibility to local management means that it will develop only slowly, unless a very strong stimulus appears."

Some participants speak of changes in their companies' strategies. The direction is usually toward such "proactive" measures as increased public education and information programs. On the other hand, an oil company executive sees a trend in his industry in the opposite direction. He says: "Public attitudes are not as hostile as they were at the height of the Arab oil embargo and the oil shortages, and oil companies are cutting back on their public affairs staffs. The emphasis now is on taxes, environmental matters, and other governmental matters—on how to deal with governments rather than the public."

Marked movement of any kind toward better-managed programs during the next three-to-five years is expected by only a dozen of the participants. Half of these are with MNC's that presently employ international public affairs specialists, and half are with firms that have public affairs personnel who devote some time to international matters. The group includes none of the 22 Group 5 companies. One participant who predicts significant growth in his company's international public affairs efforts explains: "A function is in place. The operating units know about it and are beginning to look for help. Things are gradually becoming more formalized and efficient. Any system takes time to build up to speed, and I think ours is ready to take off."

Appendix:
Staffing: Case Examples by Groups

Brief descriptions of international public affairs staffing and organizational arrangements at a number of multinational firms, as well as two organizational charts, follow. All are U.S.-based companies. A forthcoming Conference Board report will focus on public affairs organization and programs in Europe.

Group 1: Pfizer, General Foods, and Ford

The international divisional staff at Pfizer carries most of the responsibility for foreign and international affairs; the role of corporate public affairs staff basically is limited to staff assistance to top management. At General Foods the corporate staff is more directly involved in the management of issues.

Pfizer

Pfizer's foreign business, like most of General Foods', is managed by an international division. Pfizer differs organizationally from the others in that the executive who directs the company's international public affairs activities is a member of the international division staff, with only a dotted-line connection to the corporate vice president for public affairs. A principal implication of this difference is that the corporate staff assumes some of the responsibility for assisting and advising top management on international affairs matters, allowing the international executive to devote greater time to helping the various country organizations, representing the company at the United Nations and other international bodies, and working with trade groups. Full-time personnel are also present at several of Pfizer's country organizations.

General Foods

International public affairs at General Foods is the full-time responsibility of a corporate staff executive. His title is Director, External Affairs and Communications, General Foods International. This executive reports directly to a member of the Chairman's & CEO's staff—and on a dotted-line basis to the head of General Foods International. This executive draws support from the company's Washington office and from other corporate public affairs resources. He oversees the activities of External Relations Directors, based in most of General Foods' 20 international operating subsidiaries, who report to him on a dotted-line basis. Most of General Foods' foreign business is grouped within the International sector. However, its Oscar Mayer division, a relatively recent acquisition that accounts for about a fifth of the firm's sales, manages its own foreign operations.

Directors of external relations are present at two units of the International division: its European operations organization in Brussels and its Canadian subsidiary. Both directors have a dotted-line relationship to the corporate international executive. There are also full-time public affairs professionals in several European countries who, with staff people in other countries assigned to public affairs on a part-time basis, have dotted-line connections with the Brussels public affairs executive.

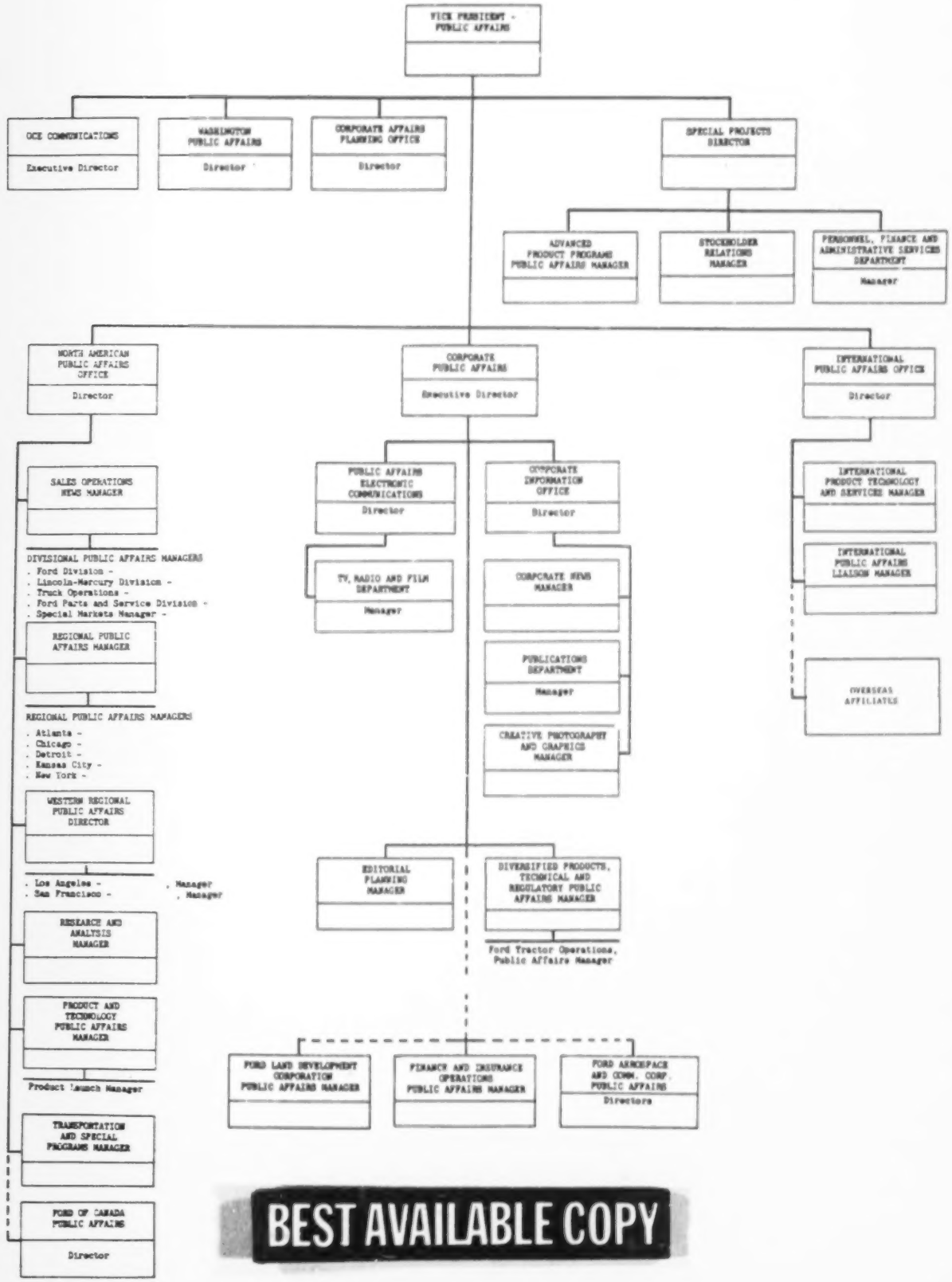
Group 2: Avon, Merck, Combustion Engineering, Air Products and Chemicals, and Westinghouse.

Avon represents a multilayered structure of corporate staff organization. At Merck, public affairs specialists on the staff of the corporate head of public affairs are assigned to product divisions, one of which does significant international business. Specialists in international public affairs at Combustion Engineering and Westinghouse focus on home-country activities; at Air Products, they focus on European issues.

Avon

"The key to overseas activity is the integration of government relations, public relations, and legal matters: The approach to every problem must be multifaceted," says Avon's Vice President for Public Affairs, World-

Chart 1: Public Affairs Department, Ford Motor Company, A Group 1 Firm



BEST AVAILABLE COPY

Wide. In the United States, specialized functions exist for government relations, public relations, community relations, and contributions, but are managed and coordinated by this executive. He, in turn, reports to the General Counsel—Avon's chief legal officer. At the international level, where specialization is not deemed to be warranted, legal and public affairs functions are usually the responsibilities of a single person. For example, International Counsels, one based in Brussels and responsible for Europe, the other managing legal and public affairs in the Pacific and Latin American markets out of corporate headquarters in New York, divide up Avon's world markets. These executives are members of corporate staff and also report to the Vice President for Public Affairs, World-Wide. Each, in turn, relates directly to International Attorneys in each major country where Avon operates. The titles of these corporate international executives reflect the fact that all are lawyers. Legal matters were once their sole concern and continue to occupy most of their time—just how large a part is difficult to determine, one of them says, because political factors often enter into the resolution of legal issues in various countries.

The international counselors occasionally work with two other executives on the staff of the Vice President for Public Affairs, World-Wide. One, based in Washington, monitors issues related to Avon's international business that arise in Congress. The other is responsible for worldwide public relations. Avon's international affairs staff also works closely with a growing number of public affairs specialists on the staffs of country organizations.

Merck

Merck & Co., Inc.'s Vice President for Public Affairs is responsible for all external communications worldwide except advertising. His staff includes specialists who are attached to each of the five product divisions into which the company's operations are grouped and are responsible for their public affairs programs. However, only one of these divisions, Merck Sharp & Dohme International (MSDI), has the type and volume of international business that requires public policy involvement in foreign countries or international bodies.

The staff of MSDI is headed by an Executive Director, Public Affairs. Reporting to him is a London-based executive who handles EC relations and one in Paris who deals with the OECD in that city and with UN organizations in Europe. According to the corporate Vice President for Public Affairs, the basic responsibilities of these members of his staff, "are to develop relations with the several bodies that they oversee and to make representation when the company has legitimate interests." The underpinning of this activity, he adds, is "developing credibility so that their views will be seriously considered."

Also part of the MSDI organization, based at corporate headquarters in New Jersey, is an analyst of issues and trends, who keeps track of activist organizations.

Combustion Engineering (C-E)

The Corporate International department is responsible for coordinating C-E's country managers and supporting C-E's business activity worldwide. The Washington Office supports the company's international businesses through the activities of a special international government affairs unit. The Washington Office reports to the Vice President, Corporate and Investor Relations.

The international activity in Washington has numerous facets. Much of it is in support of the company's investment and development plans in countries deemed to have high market potential. It consists principally of such functions as monitoring government policies and their evolution, lobbying, and seeking cooperation from U.S. government agencies and from foreign embassies in Washington in connection with overseas business efforts. The International Government Affairs unit also undertakes such commercial tasks as coordinating export license applications.

While none of the five groups into which Combustion Engineering's operations are organized employ public affairs professionals, each has named a staff person—in most cases one with strategic-planning responsibilities—to be part-time liaison with the office of the Director of International Government Affairs. According to the Director, these liaison people have two functions: "First, they are expected to be mindful of the government relations and public affairs aspects of issues as they arise at meetings and other activities within their purview, and to see that the Washington office is brought in when advisable. Second, the person serves as our contact when we need information for testimony or other purposes."

Air Products and Chemicals

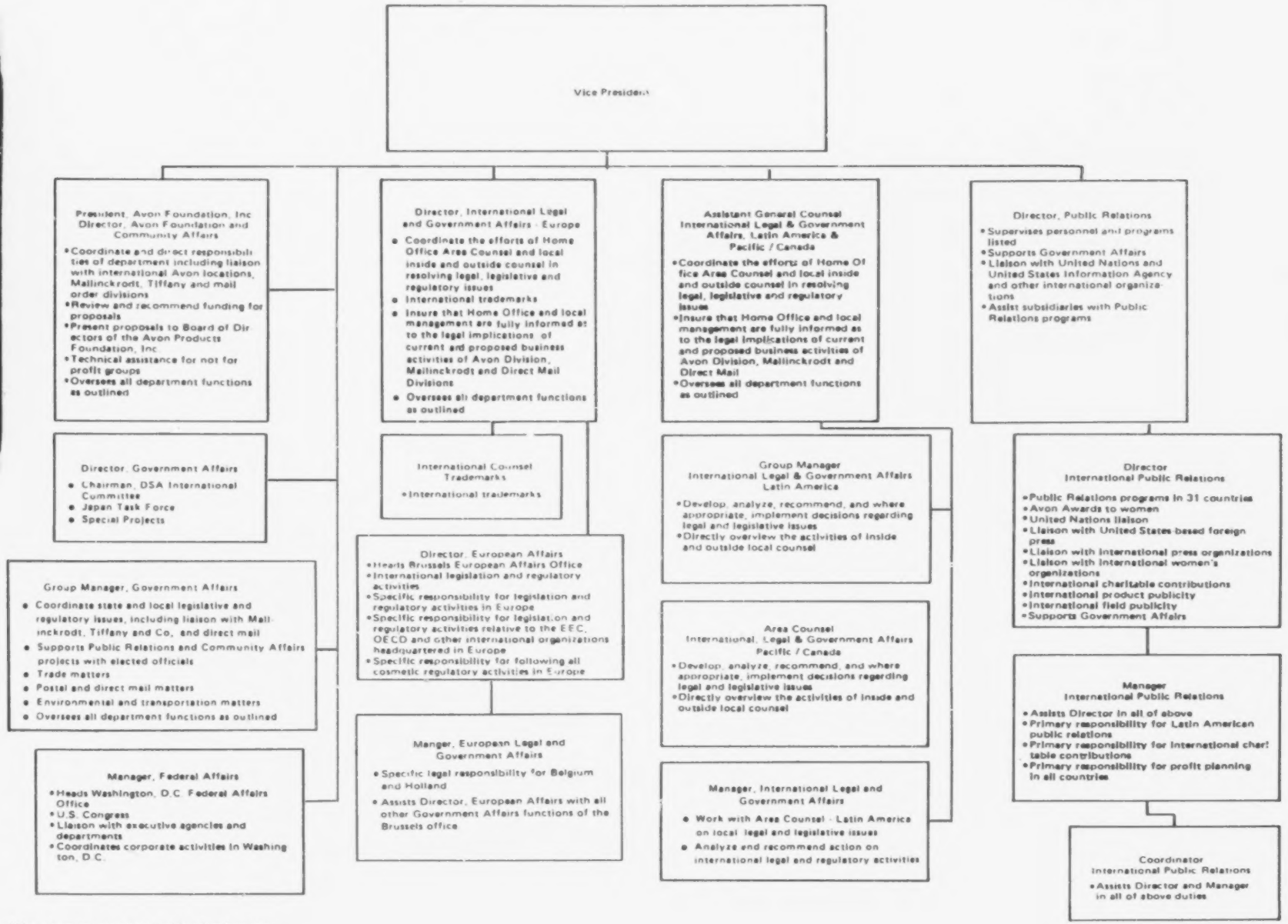
All of this firm's overseas business, accounting for about a fifth of the total, is in five European countries. A corporate vice president for public affairs devotes most of his time to the firm's principal market—the United States. Reporting to him, but attached to a divisional unit headquartered in London, is a manager responsible for public affairs in Europe. Liaison between these two executives is achieved principally through an annual face-to-face meeting and lengthy telephone meetings that are held every six weeks: Participating in the latter are European managers of both press relations and marketing communications.

Westinghouse

Domestic issues bearing on its international business are also the focus of international public affairs at Westinghouse, which has a staff unit for this function in

BEST AVAILABLE COPY

Chart 2: Department of Communications, Worldwide,[1] Avon
(as of May 1, 1984)


Vice President
President, Avon Foundation, Inc
Director, Avon Foundation and Community Affairs
•Coordinate and direct responsibilities of department including liaison with international Avon locations, Mallinckrodt, Tiffany and mail order divisions
•Review and recommend funding for proposals
•Present proposals to Board of Directors of the Avon Products Foundation, Inc
•Technical assistance for not for profit groups
•Oversees all department functions as outlined
Director, Government Affairs
• Chairman, DSA International Committee
• Japan Task Force
• Special Projects
Group Manager, Government Affairs
• Coordinate state and local legislative and regulatory issues, including liaison with Mallinckrodt, Tiffany and Co, and direct mail
• Supports Public Relations and Community Affairs projects with elected officials
• Trade matters
• Postal and direct mail matters
• Environmental and transportation matters
• Oversees all department functions as outlined
Manager, Federal Affairs
•Heads Washington, D.C. Federal Affairs Office
•U.S. Congress
•Liaison with executive agencies and departments
•Coordinates corporate activities in Washington, D.C.
Director, International Legal and Government Affairs - Europe
• Coordinate the efforts of Home Office Area Counsel and local inside and outside counsel in resolving legal, legislative and regulatory issues
• International trademarks
• Insure that Home Office and local management are fully informed as to the legal implications of current and proposed business activities of Avon Division, Mallinckrodt and Direct Mail Divisions
• Oversees all department functions as outlined
International Counsel Trademarks
•International trademarks
Director, European Affairs
•Heads Brussels European Affairs Office
•International legislation and regulatory activities
•Specific responsibility for legislation and regulatory activities in Europe
•Specific responsibility for legislation and regulatory activities relative to the EEC, OECD and other international organizations headquartered in Europe
•Specific responsibility for following all cosmetic regulatory activities in Europe
Manger, European Legal and Government Affairs
• Specific legal responsibility for Belgium and Holland
• Assists Director, European Affairs with all other Government Affairs functions of the Brussels office
Assistant General Counsel International Legal & Government Affairs, Latin America & Pacific / Canada
•Coordinate the efforts of Home Office Area Counsel and local inside and outside counsel in resolving legal, legislative and regulatory issues
•Insure that Home Office and local management are fully informed as to the legal implications of current and proposed business activities of Avon Division, Mallinckrodt and Direct Mail
•Oversees all department functions as outlined
Group Manager International Legal & Government Affairs Latin America
•Develop, analyze, recommend, and where appropriate, implement decisions regarding legal and legislative issues
•Directly overview the activities of inside and outside local counsel
Area Counsel International, Legal & Government Affairs Pacific / Canada
•Develop, analyze, recommend, and where appropriate, implement decisions regarding legal and legislative issues
•Directly overview the activities of inside and outside local counsel
Manager, International Legal and Government Affairs
• Work with Area Counsel - Latin America on local legal and legislative issues
• Analyze and recommend action on international legal and regulatory activities
Director, Public Relations
• Supervises personnel and programs listed
• Supports Government Affairs
• Liaison with United Nations and United States Information Agency and other international organizations
• Assist subsidiaries with Public Relations programs
Director International Public Relations
•Public Relations programs in 31 countries
•Avon Awards to women
•United Nations liaison
•Liaison with United States based foreign press
•Liaison with international press organizations
•Liaison with international women's organizations
•International charitable contributions
•International product publicity
•International field publicity
•Supports Government Affairs
Manager International Public Relations
• Assists Director in all of above
• Primary responsibility for Latin American public relations
• Primary responsibility for international charitable contributions
• Primary responsibility for profit planning in all countries
Coordinator International Public Relations
• Assists Director and Manager in all of above duties

[1]Chart shows key international public affairs functions

Washington. This department is responsible, one of its members says, for "legislative and government issues pertaining to the company's international business." It works closely with the "customer contact" group at corporate headquarters, as well as with domestic public affairs specialists. Westinghouse is also represented by headquarters personnel in committees of the U.S. Council for International Business and various trade associations.

Group 3: PepsiCo and Monsanto

Basic responsibility for international public affairs rests within an International division at both PepsiCo and Monsanto. PepsiCo's concerns outside the United States are almost entirely with issues relating to its line of soft drinks; Monsanto's involve several product groups.

PepsiCo

At PepsiCo, an International division unit handles foreign and international public affairs essentially on its own. International public affairs came into being as a planned function at PepsiCo early in 1983, when a line executive was appointed to the newly created post of Senior Vice President for Franchise Development and Government Affairs in the firm's International division—a move described by this executive as part of "a more proactive approach to managing the complexity and growing political consequences of public affairs as they relate to the company." He reports to the International division's president. At about the same time, the division's Public Relations department, hitherto concerned principally with traditional external and internal communications tasks, added a staff member in Paris to "monitor and lobby" in connection with EC matters.

PepsiCo International is organized into three zones, supervising thirteen regions. The International division's public affairs head says: "It is from managers of these regions that we often learn of the futility of local efforts and the need for corporate help. In asking for assistance, regional managers must also make information available and participate in the consideration of suitable strategies."

Monsanto

Part-time attention is given to international public affairs by a corporate public affairs department at Monsanto and by public affairs units attached to several product groups. It is the primary responsibility of a Director, Government Affairs/Public Relations at an international division that performs certain support functions to foreign units but has no line responsibility. This executive estimates that his time is divided as follows:

- From 30 to 40 percent, work with organizations such as the Coalition for International Trade Equity, the National Foreign Trade Council, the U.S.-Japan Businessmen's Association, and the Chemical Manufacturers Association, monitoring developments and seeking to influence policies and positions. Its focus is on international trade and related issues.
- From 20 to 25 percent, public relations—writing speeches, hosting visitors from outside the United States, and answering press inquiries.
- From 20 to 25 percent, economic forecasting and the preparation of reports that serve as input to Monsanto's international planning process.
- From 10 to 15 percent, assistance to overseas units—mainly in the planning and conduct of press relations.

Group 4: CIGNA

At CIGNA corporation, a senior vice president is responsible for corporate communications. The company has four major business groups: employee benefits and finance services; property and casualty; investment; and affiliated businesses. An international corporation, presently part of one of these groups, handles the foreign business of all four. None of these units, or any of the operating companies, have public affairs staff, although there are specific public affairs staff members assigned to each major operating group and to the international division.

Environmental monitoring and analysis is important not only to CIGNA operations, but to the firm's business as an insurer of political risk for other companies. Heavy, though not exclusive, reliance is placed on the assessments of local managing directors. Heads of local operations are expected to maintain such relationships with insurance commissioners or boards of trade of their host countries as will ensure that they are perceived as responsible and financially secure providers of various insurance products. Country heads also monitor local regulatory developments and take appropriate action to protect CIGNA interests.

Related Conference Board Reports

J.R. Basche, Jr., *Regulating International Data Transmission:* The Impact on Managing International Business. Report No. 852, 1984.

S. Lusterman, *Managing Business-State Government Relations.* Report No. 838, 1983.

R.E. Berenbeim, *Operating Foreign Subsidiaries: How Independent Can They Be?* Report No. 836, 1983.

E.P. McGuire, *Corporate Aid Programs in Twelve Less Developed Countries.* Report No. 834, 1983.

M. Mauksch, *Corporate Voluntary Contributions in Europe.* Report No. 832, 1983.

R.E. Berenbeim, *Managing the International Company: Building a Global Perspective.* Report No. 814, 1982.

A.R. Janger and R E. Berenbeim, *External Challenges to Management Decisions: A Growing International Business Problem.* Report No. 808, 1981.

S. Lusterman, *Managerial Competence: The Public Affairs Aspects.* Report No. 805, 1981.

J.K. Brown, *Guidelines for Managing Corporate Issues Programs.* Report No. 795, 1980.

S. Blank, *Assessing the Political Environment: An Emerging Function in International Companies.* Report No. 794, 1980.